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General Accounting Office
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Health, Education and Human Services Division

B-257116

May 9, 1994

The Honorable G.V. (Sonny) Montgomery
Chairman, Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

This is in response to your March 9, 1994, request for a section-by-section analysis of the veterans' health care provisions of the Administration's proposed Health Security Act (H.R. 3600). Our analysis consists of three parts:

- a discussion of the veterans' health care provisions contained under title VIII of H.R. 3600 that pertain directly to the Department of Veterans Affairs (VA) (attachment I);
- a discussion of other provisions of the Health Security Act that mention veterans or VA (attachment II); and
- a comparison of the health care services that would be covered under the comprehensive benefits package under the Health Security Act with the health care services currently covered under chapter 17 of title 38 of the United States Code (attachment III).

We provided copies of the attachments to VA officials for their review and concurrence. Any areas of disagreement have been highlighted in the text.

Copies of this analysis are also being provided to the Ranking Minority Member of the House Committee on Veterans' Affairs, to the Chairmen and Ranking Minority Members of the Subcommittees on Hospitals and Health Care and

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Oversight and Investigations, House Committee on Veterans' Affairs, and to the Chairman and Ranking Minority Member of the Senate Committee on Veterans' Affairs.

If you have any questions about the analysis or need additional assistance, please call me on (202) 512-7101.

Sincerely yours,

A handwritten signature in cursive script that reads "David P. Baine".

David P. Baine
Director of Federal Health Care
Delivery Issues

Attachments (3)

ANALYSIS OF H.R. 3600
HEALTH SECURITY ACT
PART I: TITLE VIII PROVISIONS

Section	Provision	GAO Analysis
<p>Health Security Act</p> <p>Title VIII: Subtitle B-- Department of Veterans Affairs</p> <p>Section 8101. Benefits and Eligibility Through Department of Veterans Affairs Medical System</p> <p>(a) DVA as a Participant in Health Care Reform.--</p> <p>(1) In General.</p>	<p>Title 38, United States Code, is amended by inserting after chapter 17 the following new chapter:</p> <p>"Chapter 18--Eligibility and Benefits Under Health Security Act</p> <p>Subchapter 1--General</p> <p>1801. Definitions</p> <p>Subchapter 2--Enrollment</p> <p>1811. Enrollment: veterans.</p> <p>1812. Enrollment: CHAMPVA eligibles.</p> <p>1813. Enrollment: family members.</p> <p>Subchapter 3--Benefits</p> <p>1821. Benefits for VA enrollees.</p> <p>1822. Chapter 17 benefits.</p> <p>1823. Supplemental benefits packages and policies.</p> <p>1824. Limitation regarding veterans enrolled with health plans outside Department.</p> <p>Subchapter 4--Financial Matters</p> <p>1831. Premiums, copayments, etc.</p> <p>1832. Medicare coverage and reimbursement.</p> <p>1833. Recovery of cost of certain care and services.</p> <p>1834. Health Plan Funds."</p>	<p>Amends title 38 U.S.C. by establishing a new chapter 18 that outlines VA's role as a participant in health reform.</p>

Section	Provision	GAO Analysis
<p>Proposed Chapter 18 of Title 38 U.S.C.</p> <p>Subchapter 1-- General Section 1801. Definitions</p>	<p>For purposes of this chapter:</p> <p>(1) The term "health plan" means an entity that has been certified under the Health Security Act as a health plan.</p> <p>(2) The term "VA health plan" means a health plan that is operated by the Secretary under section 7341 of this title.</p> <p>(3) The term "VA enrollee" means an individual enrolled under the Health Security Act in a VA health plan.</p>	<p>Provides definitions of "health plan," "VA health plan," and "VA enrollee." Because, under the proposed 38 U.S.C. 1832(b), a VA health plan would be considered a Medicare health maintenance organization (HMO), the term "VA enrollee" refers to individuals enrolled in a VA health plan functioning as either a regional alliance health plan or a Medicare HMO.</p>

Section	Provision	GAO Analysis
<p>Proposed Chapter 18 of Title 38 U.S.C.</p> <p>Subchapter II-- Enrollment</p> <p>Section 1811. Enrollment: Veterans</p>	<p>Each veteran who is an eligible individual within the meaning of section 1001 of the Health Security Act may enroll with a VA health plan. A veteran who wants to receive the comprehensive benefit package through the Department shall enroll with a VA health plan.</p>	<p>This section states that veterans who are "eligible" individuals under Section 1001 of the Health Security Act may enroll in a VA health plan. Section 1001 provides an entitlement to the comprehensive benefit package through enrollment in an applicable health plan.</p> <p>Section 1001(d) states that Medicare beneficiaries will generally not be entitled to the comprehensive benefit package through enrollment in regional alliance health plans. The exceptions are those states where the state has chosen to integrate Medicare beneficiaries into the regional alliance plans (Section 4001) and those Medicare beneficiaries who are still employed or have a spouse who is still employed (Section 1012(a)). These restrictions on enrollment in regional alliance health plans would, on the surface, appear to prevent Medicare-eligible veterans, other than those described above, from enrolling in a VA health plan.</p> <p>Other Health Security Act provisions, however, that would deem VA health plans Medicare HMOs (Section 1832 of the proposed new chapter 18, title 38 U.S.C.) would allow Medicare-eligible veterans to enroll in VA health plans regardless of whether states chose to bring Medicare into the alliances. In addition, section 1004(b) of the Health Security Act designates the VA health plan as the applicable health plan for veterans who choose to enroll in a VA health plan.</p>

Section	Provision	GAO Analysis
<p>Proposed Chapter 18 of Title 38 U.S.C.</p> <p>Section 1812. Enrollment: CHAMPVA-Eligibles</p>	<p>An individual who is eligible for benefits under section 1718 of this title and who is eligible to enroll in a health plan pursuant to section 1001 of the Health Security Act may enroll under that Act with a VA health plan in the same manner as a veteran.</p>	<p>Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA)-eligible individuals can enroll in a VA health plan in the same manner as a veteran.</p>
<p>Proposed Chapter 18 of Title 38 U.S.C.</p> <p>Section 1813. Enrollment: Family Members</p>	<p>(a) The Secretary may authorize a VA health plan to enroll members of the family of an enrollee under section 1811 or 1812 of this title, subject to payment of premiums, deductibles, copayments, and coinsurance as required under the Health Security Act.</p> <p>(b) For purposes of subsection (a), an enrollee's family is those individuals (other than the enrollee) included within the term "family" as defined in section 1011(b) of the Health Security Act.</p>	<p>The Secretary would be given the discretion to enroll family members of veterans and CHAMPVA beneficiaries in VA health plans. Under section 1011(b) of the Health Security Act, the term family includes the veteran's spouse if the spouse is an eligible individual and the veteran's (and his/her spouse's) children if they are eligible individuals.</p>

Section	Provision	GAO Analysis
Proposed Chapter 18 of Title 38 U.S.C.		
<p>Subchapter III-- Benefits Section 1821. Benefits for VA Enrollees</p>	<p>The Secretary shall ensure that each VA health plan provides to each individual enrolled with it the items and services in the comprehensive benefit package under the Health Security Act.</p>	<p>This section provides that a VA health plan must provide to each individual enrolled in the plan the same comprehensive benefit package that other competing health plans must provide.</p> <p>The Health Security Act requirements for the comprehensive benefit package would extend to veterans enrolling in a VA health plan functioning as a Medicare HMO.</p>
Proposed Chapter 18 of Title 38 U.S.C.		
<p>Section 1822. Chapter 17 Benefits</p>	<p>The Secretary shall provide to veterans the care and services that are authorized to be provided under chapter 17 of this title in accordance with the terms and conditions applicable to that veteran and that care under such chapter, notwithstanding that such care and services are not included in the comprehensive benefit package.</p>	<p>Chapter 17 benefits not covered under the comprehensive benefit package would continue to be available to veterans enrolled in either a VA or other health plan under the same terms and conditions that currently apply to that veteran under chapter 17 of title 38 of the U.S.C. Among the terms and conditions that apply under Chapter 17 are requirements that (1) nonservice-connected veterans be admitted to a VA hospital before they can be admitted to community nursing homes under VA sponsorship and (2) dental treatment must have begun while they were hospitalized in a VA hospital in order for most veterans to be eligible to receive outpatient dental care. While these terms and conditions would apply both to veterans enrolling in VA and non-VA health plans, they would appear to have greater effect on veterans enrolling in non-VA plans because such veterans would be unable to meet the requirements relating to treatment in VA hospitals unless their health plans contracted with VA health plans to allow hospitalization in a VA hospital.</p>

Section	Provision	GAO Analysis
<p>Proposed Chapter 18 of Title 38 U.S.C.</p>	<p>A VA health plan may offer supplemental health benefits policies for health care services not provided under chapter 17 of this title and cost sharing policies consistent with the requirements of part 2 of subtitle E of title I of the Health Security Act.</p>	<p>The section would authorize VA to market two types of supplemental insurance: (1) supplemental health benefits policies and (2) cost-sharing policies. Generally, section 1421(b)(1) of the Health Security Act defines supplemental benefits policies to be health benefit plans or health insurance policies that provide (1) coverage for services and items not included in the comprehensive benefit package and/or (2) coverage for items and services included in such package but not covered because of a limitation in amount, duration, or scope. Section 1421(b)(2) of the Health Security Act defines cost sharing policies to be health insurance policies or health benefits plans that provide coverage for deductibles, coinsurance, and copayments imposed as part of the comprehensive benefit package, whether imposed under a higher-cost-sharing plan or with respect to out-of-network providers.</p> <p>It is not clear what the phrase "not provided under chapter 17" means. If "not provided under chapter 17" refers to services authorized by but not provided to a veteran under chapter 17 because of restrictions on resources or eligibility, then the Secretary of Veterans Affairs would, at his or her discretion, be able to sell supplemental policies covering such services as nursing home care. The Secretary would appear to also have wide discretion to discontinue sale of such policies.</p>

Section	Provision	GAO Analysis
<p>Proposed Chapter 18 of Title 38 U.S.C.</p>		
<p>Section 1823 (cont.)</p>		<p>It is also unclear which individuals could purchase VA supplemental health benefits policies. Section 1422(b)(1) generally provides that an entity offering a supplemental health benefits policy must accept for enrollment every individual who seeks such enrollment, subject to capacity and financial limits. Thus, it appears the supplemental policies would have to be made available to veterans and their dependents, and perhaps to others in the health alliance. VA officials agreed that the language of section 1422(b)(1) is ambiguous but pointed out that other provisions of the Health Security Act would prevent most nonveterans from enrolling in VA health plans. VA could limit the availability of supplemental benefits policies based on its capacity to provide the covered services, but would be required to offer the policies on a first-come, first-served basis as long as capacity holds out.</p> <p>The effect of the proposed new section 1831(a) of title 38 U.S.C. on sale of supplemental policies is unclear. It might prevent VA from charging premiums or other cost sharing for supplemental policies, at least for those policies covering items and services covered under chapter 17 of 38 U.S.C., purchased by veterans described under 38 U.S.C. 1831(b) who enroll in the VA health plan. VA officials told us that, in their opinion, the proposed section 1831(a) of title 38 U.S.C. would apply only to the comprehensive benefit package. Service-connected and low-income veterans would, in their opinion, be required to pay the same premiums for supplemental policies that apply to other veterans.</p>

Section	Provision	GAO Analysis
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1823 (cont.)		<p>In addition, it is unclear whether VA must recover the full cost of such policies from those required to pay a premium.</p> <p>Cost-sharing policies would appear to be available only to those veterans and other VA health plan enrollees not entitled to free care. Under section 1423 of the Health Security Act, cost-sharing policies must be offered to all individuals enrolled in the plan. This means that CHAMPVA beneficiaries and veterans' dependents would be eligible to purchase cost-sharing policies. The policies would be required to have loss ratios not lower than 90 percent.</p>
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1824. Limitation Regarding Veterans Enrolled With Health Plans Outside Department	<p>A veteran who is residing in a regional alliance area in which the Department operates a health plan and who is enrolled in a health plan that is not operated by the Department may be provided the items and services in the comprehensive benefit package by a VA health plan only if the plan is reimbursed for the actual and full cost of the care provided.</p>	<p>A veteran enrolling in a non-VA health plan could obtain items and services covered under the comprehensive benefit package from a VA health plan only if his or her health plan reimbursed VA the full cost of the care provided. This section shifts responsibility for treatment of service-connected disabilities from the government to individual health plans to the extent that the treatments are covered under the comprehensive benefit package. In other words, service-connected veterans in non-VA health plans could use VA for treatment of their service-connected disabilities only if (1) their health plan agreed to reimburse VA for the costs of such care or (2) the needed services are covered under Chapter 17, title 38 U.S.C. but not under the comprehensive benefit package.</p>

Section	Provision	GAO Analysis
<p>Proposed Chapter 18 of Title 38 U.S.C.</p>	<p>In the case of a veteran described in subsection (b) who is a VA enrollee, the Secretary may not impose or collect from the veteran a cost-share charge of any kind (whether a premium, copayment, deductible, coinsurance charge, or other charge). The Secretary shall make such arrangements as necessary with health alliances in order to carry out this subsection.</p>	<p>This section would waive all premiums and other cost sharing for certain veterans. The provision applies equally to veterans enrolling in a VA health plan under a regional alliance and a veteran enrolling in a VA health plan functioning as a Medicare HMO. The Secretary of Veterans Affairs is to make arrangements with health alliances to carry out this provision.</p> <p>The relationship between this section and section 1823 is unclear. Section 1831 applies to "VA enrollees" which would limit the provision of free care to veterans enrolling in a VA health plan but is silent as to whether it applies only to the comprehensive benefit package or to any supplemental benefits policies. In our opinion, this section could be interpreted to make any supplemental benefits policies offered under section 1823 free for those veterans enrolling in VA health plans who meet the criteria established under section 1831(b).</p> <p>VA officials, on the other hand, interpret section 1831 as applying only to the comprehensive benefit package and not to any supplemental benefits policies. We believe this is also a reasonable interpretation. Such an interpretation could significantly limit the availability of chapter 17 benefits for those low-income and service-connected veterans unable or unwilling to pay the premiums to purchase supplemental policies. VA would have a contractual obligation to provide services to those higher income veterans purchasing supplemental policies, while those low-income and service-connected veterans without supplemental policies would be limited to use of whatever space and resources were available after VA meets its contractual obligations.</p>

Section	Provision	GAO Analysis
Proposed Chapter 18 of Title 38 U.S.C. (cont.)		
Section 1831(a) (continued)		<p>Under either interpretation, veterans enrolling in non-VA health plans who subsequently enroll in a VA supplemental benefits policy offered by a VA health plan would not appear to be entitled to free supplemental benefits unless the term "VA enrollee" is interpreted broadly to mean a veteran who enrolls in a VA health plan for either comprehensive benefits or supplemental benefits.</p>

Section	Provision	GAO Analysis
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1831(b)	<p>The veterans referred to in subsection (a) are the following:</p> <p>(1) Any veteran with a service-connected disability.</p> <p>(2) Any veteran whose discharge or release from the active military, naval or air service was for a disability incurred or aggravated in the line of duty.</p> <p>(3) Any veteran who is in receipt of, or who, but for a suspension pursuant to section 1511 of this title (or both such a suspension and the receipt of retired pay), would be entitled to disability compensation, but only to the extent that such a veteran's continuing eligibility for such care is provided for in the judgment or settlement provided for in such section.</p> <p>(4) Any veteran who is a former prisoner of war.</p> <p>(5) Any veteran of the Mexican border period or World War I.</p> <p>(6) Any veteran who is unable to defray the expenses of necessary care as determined under section 1722(a) of this title.</p>	<p>This section lists the categories of veterans entitled to free comprehensive health benefits if they enroll in a VA health plan. It generally covers the same groups of veterans cited under 38 U.S.C. 1710, which establishes eligibility for VA hospital, nursing home, and domiciliary care, except that it excludes those veterans seeking care for conditions that may be related to exposure to toxic substances or ionizing radiation. Currently, the cited group is entitled to free VA hospital care to the extent that space and resources are available, but eligibility and entitlement to other services is more complex.</p> <p>Only those veterans with service-connected disabilities rated at 50 percent or higher (about 450,000 veterans) are currently entitled to free comprehensive health care benefits within available resources (not including nursing home care, which is optional for all veterans). The new section would essentially expand the number of veterans entitled to free comprehensive care, including 100 days a year of post-hospital extended care in rehabilitation or skilled nursing facilities, to about 9 million veterans.</p>

Section	Provision	GAO Analysis
<p>Proposed Chapter 18 of Title 38 U.S.C.</p>	<p>In the case of a VA enrollee who is not described in subsection (b), the Secretary shall charge premiums and establish copayments, deductibles, and coinsurance amounts. The premium rate, and the rates for deductibles and copayments, for each VA health plan shall be established by that health plan based on rules established by the health alliance under which it is operating.</p>	<p>Those VA enrollees not described above would be charged premiums, copayments, deductibles, and coinsurance. VA would be required to establish the premium rate and the rates for deductibles and copayments based on rules established by the health alliance under which it is operating.</p> <p>This section would not appear to apply to Medicare-eligible veterans enrolling in the VA health plan, except in those states that bring Medicare under their health alliances.</p>
<p>Proposed Chapter 18 of Title 38 U.S.C.</p>	<p>In the case of a veteran with a service-connected disability who is enrolled in a VA health plan and who has net earnings from self-employment, the Secretary shall, under regulations prescribed by the Secretary, provide for a reduction in any premium payment (or alliance credit repayment) owed by the veteran under section 6126 or 6111 of the Health Security Act by virtue of the veteran's earnings from self-employment.</p>	<p>This section requires the Secretary of Veterans Affairs to reduce employer premiums owed by a self-employed service-connected veteran, provided the veteran enrolls in a VA health plan. In other words, self-employed service-connected veterans would be required to pay all or a portion of their health insurance premiums if they enroll in a health plan other than one operated by VA. If, however, they enroll in VA plans, individual cost sharing and, to the extent determined by the Secretary their employer premiums, will be reduced.</p>

Section	Provision	GAO Analysis
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1832(a) Medicare Coverage and Reimbursement	For purposes of any program administered by the Secretary of Health and Human Services under title XVIII of the Social Security Act, a Department facility shall be deemed to be a Medicare provider.	This section deems VA facilities to be Medicare providers, essentially exempting them from Medicare requirements. In effect, this would enable VA facilities to provide the full range of Medicare benefits to Medicare-eligible veterans, regardless of their eligibility/entitlement under chapter 17, title 38 U.S.C.
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1832(b)	<p>(1) A VA health plan shall be considered to be a Medicare HMO.</p> <p>(2) For purposes of this section, the term "Medicare HMO" means an eligible organization under section 1876 of the Social Security Act.</p>	This section would deem VA health plans to be Medicare HMOs, essentially exempting VA from the requirements under section 1876 of the Social Security Act that apply to other eligible organizations. Among the provisions that VA health plans would be exempt from are requirements related to (1) related-party transactions, (2) ownership and control arrangements, (3) financial solvency, (4) quality assurance, (5) operating experience, (6) enrollment, and (7) organization and management.
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1832(c)	In the case of care provided to a veteran other than a veteran described in section 1831(b) of this title who is eligible for benefits under the Medicare program under title XVIII of the Social Security Act, the Secretary of Health and Human Services shall reimburse a VA health plan or Department health care facility providing services as a Medicare provider or Medicare HMO in the same amounts and under the same terms and conditions as that Secretary reimburses other Medicare providers or Medicare HMOs, respectively. The Secretary of Health and Human Services shall include with each such reimbursement a Medicare explanation of benefits.	<p>Would authorize VA to recover from Medicare the costs of services provided to certain Medicare-eligible veterans. Recoveries would be limited to services provided to those Medicare-eligible veterans not entitled to free care under section 1831 of the Health Security Act.</p> <p>It is not clear what would happen in the case of a Medicare-eligible dependent. Medicare eligibility and enrollment is by individual not family. Thus it is not clear whether the dependents of Medicare-eligible veterans would be able to enroll in a VA health plan functioning as an HMO except in states that have integrated Medicare into their alliances.</p>

Section	Provision	GAO Analysis
<p>Proposed Chapter 18 of Title 38 U.S.C.</p>	<p>When the Secretary [of Veterans Affairs] provides care to a veteran for which the Secretary received reimbursement under this section, the Secretary shall require the veteran to pay to the Department any applicable deductible or copayment that is not covered by Medicare.</p>	<p>Would authorize VA to charge Medicare-eligible veterans, other than those entitled to free comprehensive benefits, the same copayments and deductibles they would be required to pay to other Medicare providers.</p>
<p>Proposed Chapter 18 of Title 38 U.S.C.</p>	<p>In the case of an individual provided care or services through a VA health plan who has coverage under a supplemental health insurance policy pursuant to part 2 of subtitle E of title I of the Health Security Act or under any other provision of law, or who has coverage under a Medicare supplemental health insurance plan (as defined in the Health Security Act) or under any other provision of law, the Secretary has the right to recover or collect charges for care or services (as determined by the Secretary, but not including care or services for a service-connected disability) from the party providing that coverage to the extent that the individual or the provider of the care or services) would be eligible to receive payment for such care or services from such party if the care or services had not been furnished by a department or agency of the United States.</p>	<p>Authorizes VA to recover from supplemental insurance policies, such as Medicare supplemental (Medigap) policies and CHAMPUS supplemental benefits policies. VA would not be authorized to recover for care or services for a service-connected disability.</p>

Section	Provision	GAO Analysis
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1833(b)	The provisions of subsections (b) through (f) of section 1729 of this title shall apply with respect to claims by the United States under subsection (a) in the same manner as they apply to claims under subsection (a) of that section.	Provides that the third-party recovery provisions of current law remain in effect.
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1834(a) Health Plan Fund	There is hereby established in the Treasury a revolving fund to be known as the "Department of Veterans Affairs Health Plan Fund".	Would establish in the Treasury a revolving fund for VA health plans.
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1834(b).	Any amount received by the Department by reason of the furnishing of health care by a VA health plan or the enrollment of an individual with a VA health plan (including amounts received as premiums, premium discount payments, copayments or coinsurance, and deductibles, amounts received as third-party reimbursements, and amounts received as reimbursements from another health plan for care furnished to one of its enrollees) shall be credited to the revolving fund.	Revenues received by VA health plans, whether related to the furnishing of care to non-VA health plan enrollees or the enrollment of individuals in the VA health plan, must be credited to the revolving fund. Amounts to be credited to the revolving fund include amounts received as premiums, premium discount payments, copayments or coinsurance, and deductibles, and amounts received as reimbursements from another health plan for care furnished to one of its enrollees. Recoveries from Medicare would also be credited to the revolving fund. Funds appropriated to pay the VA portion of health plan enrollees' premiums would not be credited to the revolving fund.

Section	Provision	GAO Analysis
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1834(c).	Notwithstanding subsection (b), the Department may not retain amounts received for care furnished to a VA enrollee in a case in which the costs of such care have been covered by appropriations. Such amounts shall be deposited in the General Fund of the Treasury.	Requires VA to return to the General Fund of the Treasury any funds recovered for care provided to veterans if the costs of such care were covered by appropriations.
Proposed Chapter 18 of Title 38 U.S.C.		
Section 1834(d)	Amounts in the revolving fund are hereby made available for the expenses of the delivery by a VA health plan of the items and services in the comprehensive benefit package and any supplemental benefits package or policy offered by that health plan.	Would make the amounts in the revolving fund available to VA health plans, without regard to the sources of the funds, for payments for items and services covered under the comprehensive benefit package and any supplemental benefits package or policy offered by the VA health plan. VA would be free to allocate funds to any VA health plan or to pay for comprehensive benefits and supplemental benefits, regardless of source of funds.
Health Security Act		
Section 8101(a)(2)	The table of Chapters at the beginning of part II of title 38, United States Code, is amended by inserting after the item relating to chapter 17 the following new item: "18. Benefits and Eligibility Under Health Security Act.....1801".	Adds Chapter 18 to the table of chapters at the beginning of part II, title 38 U.S.C.

Section	Provision	GAO Analysis
<p>Health Security Act</p> <p>Section 8101(b) Preservation of Existing Benefits for Facilities not Operating as Health Plans.</p>	<p>(1) Chapter 17 of title 38, United States Code, is amended by inserting after section 1704 the following new section:</p> <p style="text-align: center;">. . .</p> <p>(2) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 1704 the following new item:</p> <p>"1705. Facilities not operating within health plans; veterans not eligible to enroll in health plans."</p>	<p>Would add a new section 1705 to title 38 U.S.C. and add section 1705 to the table of sections at the beginning of chapter 17, title 38 U.S.C.</p>
<p>Proposed New Section of Title 38 U.S.C.</p> <p>Section 1705. Facilities Not Operating Within Health Plans: Veterans Not Eligible to Enroll in Health Plans</p>	<p>The provisions of this chapter shall apply with respect to the furnishing of care and services--</p> <p>(1) by any facility of the Department that is not operating as or within a health plan certified as a health plan under the Health Security Act; and</p> <p>(2) by any facility of the Department (whether or not operating as or within a health plan certified as a health plan under the Health Security Act) in the case of a veteran who is not an eligible individual within the meaning of section 1001 of the Health Security Act.</p>	<p>Provides that the provisions of chapter 17, title 38 U.S.C. apply with respect to the furnishing of care and services (1) by a VA facility not operating as or within a VA health plan or (2) to a veteran who is not an eligible individual within the meaning of section 1001 of the Health Security Act.</p>

Section	Provision	GAO Analysis
<p>Health Security Act</p> <p>Section 8102. Organization of Department of Veterans Affairs Facilities as Health Plans.</p>	<p>(a) In General. Chapter 73 of title 38, United States Code, is amended-- (1) by redesignating subchapter IV as subchapter V; and (2) by inserting after subchapter III the following new subchapter: SUBCHAPTER IV--PARTICIPATION AS PART OF NATIONAL HEALTH CARE REFORM</p>	<p>Adds a new subchapter IV to chapter 73, title 38 U.S.C. and redesignates the existing subchapter IV as subchapter V.</p>
<p>Proposed New Section of Chapter 73, Title 38 U.S.C.</p> <p>Section 7341(a) Organization of Health Care Facilities as Health Plans</p>	<p>The Secretary shall organize health plans and operate Department facilities as or within health plans under the Health Security Act. The Secretary shall prescribe regulations establishing standards for the operation of Department health care facilities as or within health plans under that Act. In prescribing those standards, the Secretary shall assure that they conform, to the maximum extent practicable, to the requirements for health plans generally set forth in part 1 of subtitle E of title I of the Health Security Act.</p>	<p>Directs the Secretary of Veterans Affairs to organize health plans under the Health Security Act and to prescribe regulations establishing standards for the operation of those health plans. The regulations are to conform, to the extent practicable, to the same requirements established for other health plans under the Health Security Act.</p>

Section	Provision	GAO Analysis
Proposed New Section of Chapter 73, Title 38 U.S.C.		
Section 7341(b)	Within a geographic area or region, health care facilities of the Department located within that area or region may be organized to operate as a single health plan encompassing all Department facilities within that area or region or may be organized to operate as several health plans.	Gives the Secretary the discretion to organize VA facilities into a single health plan within a geographic area or region or to operate as several health plans. A VA facility could be a part of more than one VA health plan.
Proposed New Section of Chapter 73, Title 38 U.S.C.		
Section 7341(c)	<p>In carrying out responsibilities under the Health Security Act, a State (or a State-established entity)---</p> <p>(1) may not impose any standard or requirement on a VA plan that is inconsistent with this section or any regulation prescribed under this section or other Federal laws regarding the operation of this section; and</p> <p>(2) may not deny certification of a VA health plan under the Health Security Act on the basis of a conflict between a rule of a state or health alliance and this section or regulations prescribed under this section or other Federal laws regarding the operation of this section.</p>	States would not be allowed to (1) impose any requirement on a VA health plan that is inconsistent with this section or other federal laws and (2) deny certification of a VA health plan on the basis of a conflict between a rule of a state or health alliance and this section or regulations prescribed under this section. This would appear to give wide discretion to the Secretary to determine the extent to which it is practicable for VA to conform to state and/or regional alliance requirements.

Section	Provision	GAO Analysis
<p>Proposed New Section of Chapter 73, Title 38 U.S.C.</p> <p>Section 7342. Contract Authority for Facilities Operating as or Within Health Plans</p>	<p>The Secretary may enter into a contract (without regard to provisions of law requiring the use of competitive procedures) for the provision of services by a VA health plan in any area in which the Secretary determines that such contracting is more cost-effective than providing such services directly through Department facilities or when such contracting is necessary because of geographic inaccessibility.</p>	<p>Would authorize the Secretary to enter into contracts for the provision of services by VA health plans without regard to provisions of law requiring the use of competitive bidding. This waiver of competitive procurement requirements would apply whenever the Secretary determines that such contracting would be more cost-effective than providing such services directly through VA facilities or when such contracting is necessary because of geographic inaccessibility.</p>
<p>Proposed New Section of Chapter 73, Title 38 U.S.C.</p> <p>Section 7343. Resource Sharing Authority: Facilities Operating as or Within Health Plans</p>	<p>The Secretary may enter into agreements under section 8153 of this title with other health care plans, with other health care providers, and with other health industry organizations, and with individuals, for the sharing of resources of the Department through facilities of the Department operating as or within health plans.</p>	<p>Would expand the Secretary's authority under 38 U.S.C. 8153 to enter into sharing agreements for specialized medical resources with other health plans, other health care providers, other health industry organizations, and individuals. Presently, section 8153 only permits agreements with other health care facilities, research centers, medical schools, and state veterans' home facilities.</p>
<p>Proposed New Section of Chapter 73, Title 38 U.S.C.</p> <p>Section 7344(a) Administrative and Personnel Flexibility</p>	<p>In order to carry out this subchapter, the Secretary may--</p> <p>(1) carry out administrative reorganizations of the Department without regard to those provisions under section 510 of this title following subsection (a) of the section; and</p>	<p>Would allow the Secretary to carry out administrative reorganizations without regard to 38 U.S.C. 510 which requires notification of appropriate congressional committees if the reorganization reduces the full-time staff at a facility by 15 percent or more over 1 year or 25 percent or more over 2 fiscal years.</p>

Section	Provision	GAO Analysis
Proposed New Section of Chapter 73, Title 38 U.S.C.		
Section 7344(a)	(2) Enter into contracts for the performance of services previously performed by employees of the Department without regard to section 8110(c) of this title.	Would allow the Secretary to contract for services currently performed by VA employees without regard to 38 U.S.C. 8110(c), which, in general, limits the Secretary's ability to convert an activity performed by federal employees at a health care facility to an activity performed by a contractor.
Proposed New Section of Chapter 73, Title 38 U.S.C.		
Section 7344(b)	The Secretary may establish alternative personnel systems or procedures for personnel at facilities operated as or within health plans under the Health Security Act whenever the Secretary considers such action necessary in order to carry out the terms of that Act, except that the Secretary shall provide for preference eligibles (as defined in section 2108 of title 5, United States Code) in a manner comparable to the preference for such eligibles under subchapter I of chapter 33, and subchapter I of chapter 35, of such title.	Would give the Secretary wide discretion to establish new personnel systems or procedures at facilities operated as or within health plans under the Health Security Act. The sole exception to this discretion is that veterans' preference shall continue in a manner comparable to current law.
Proposed New Section of Chapter 73, Title 38 U.S.C.		
Section 7344(c)	Subject to the provisions of section 1404 of the Health Security Act, the Secretary may carry out appropriate promotional, advertising, and marketing activities to inform individuals of the availability of facilities of the Department operating as or within health plans. Such activities may only be carried out using nonappropriated funds.	Would allow VA to carry out promotional, advertising, and marketing activities to inform individuals of the availability of facilities of the Department operating as or within health plans. VA would be limited to using nonappropriated funds for their marketing activities. The proposed new section 8102(c) of the Health Security Act would allow the use of appropriated funds for marketing activities during fiscal year 1994.

Section	Provision	GAO Analysis
<p>Proposed New Section of Chapter 73, Title 38 U.S.C.</p> <p>Section 7345. Veterans Health Care Investment Fund</p>	<p>(a) There is hereby authorized to be appropriated to the Department, in addition to amounts otherwise authorized to be appropriated to the Department for VA health plans, such amounts as are necessary for the Secretary of the Treasury to fulfill the requirement of subsection (b).</p> <p>(b) For each of fiscal years 1995, 1996, and 1997, the Secretary of the Treasury shall, subject to subsection (a), credit to a special fund (in this section referred to as the "Fund") of the Treasury an amount equal to--</p> <p>(1) \$1,000,000,000 for fiscal year 1995;</p> <p>(2) \$600,000,000 for fiscal year 1996; and</p> <p>(3) \$1,700,000,000 for fiscal year 1997.</p>	<p>Would authorize the appropriation of \$3.3 billion over 3 fiscal years to a Veterans Health Care Investment Fund.</p>
<p>Proposed New Section of Chapter 73, Title 38 U.S.C.</p> <p>Section 7345.</p>	<p>(c)(1) Subject to paragraph (2), amounts in the Fund shall be available to the Secretary only for VA health plans authorized under this chapter.</p>	<p>Provides that amounts in the Veterans Health Care Investment Fund are available only for VA health plans.</p>

Section	Provision	GAO Analysis
Proposed New Section of Chapter 73, Title 38 U.S.C.		
Section 7345.	<p>(c)(2) For fiscal year 1995, 1996, or 1997, the amount credited to the Fund for the fiscal year shall be available for use by the Secretary under paragraph (1) only if appropriations Acts for that fiscal year, without addition of amounts provided under subsection (a) for the Fund, provide new budget authority for the Department of Veterans Affairs Medical Care account, for that fiscal year, of no less than the amount for that account proposed in the budget of the president for that fiscal year under section 1105 of title 31.</p>	<p>The funds credited to the Veterans Health Care Investment Fund would be available for use by VA only if appropriations Acts for the appropriate fiscal year provide new budget authority for the medical care account equal to or greater than the amount proposed by the President in his budget submission.</p>
Proposed New Section of Chapter 73, Title 38 U.S.C.		
Section 7345.	<p>(d) The Secretary shall submit to Congress, no later than March 1, 1997, a report concerning the operation of the Department of Veterans Affairs health care system in preparing for, and operating under, national health care reform under the Health Security Act during fiscal years 1995 and 1996. The report shall include a discussion of--</p> <ul style="list-style-type: none"> (1) the adequacy of amounts in the Fund for the operation of VA health plans; (2) the quality of care provided by such plans; (3) the ability of such plans to attract patients; and (4) the need (if any) for additional funds for the Fund in fiscal years after fiscal year 1997. 	<p>VA would be required to report to the Congress by March 1, 1997, on its preparations for and operations under the Health Security Act during fiscal years 1995 and 1996. VA would be required to discuss (1) the adequacy of the amounts in the Veterans Health Care Investment Fund, (2) quality of care, (3) the plans' ability to attract patients, and (4) the need for additional amounts for the Veterans Health Care Investment Fund for fiscal years after 1997.</p>

Section	Provision	GAO Analysis
<p>Proposed New Section of Chapter 73, Title 38 U.S.C.</p> <p>Section 7346. Funding Provisions: Grants and Other Sources of Assistance</p>	<p>The Secretary may apply for and accept, if awarded, any grant or other source of funding that is intended to meet the needs of special populations and that but for this section is unavailable to facilities of the Department or to health plans operated by the Government if funds obtained through the grant or other source of funding will be used through a facility of the Department operating as or within a health plan.</p>	<p>VA would be authorized to apply for and accept grants or other sources of funding intended to meet the needs of special populations. For example, VA could apply for grants from the National Institutes of Health, the Robert Wood Johnson Foundation, or other organizations. The grants or other sources of funding could be for research, the delivery of health care services, or both.</p>
<p>Health Security Act</p> <p>Section 8102(b)</p>	<p>Clerical Amendment.--The table of sections at the beginning of chapter 73 is amended by striking out the item relating to the heading for subchapter IV and inserting in lieu thereof the following:</p> <p>"SUBCHAPTER IV--PARTICIPATION AS PART OF NATIONAL HEALTH CARE REFORM"</p> <p>7341. Organization of health care facilities as health plans. 7342. Contract authority for facilities operating as or within health plans. 7343. Resource sharing authority: facilities operating as or within health plans. 7344. Administrative and personnel flexibility. 7345. Veterans Health Care Investment Fund. 7346. Funding provisions; grants and other sources of assistance.</p> <p>Subchapter 5--Research Corporations</p>	<p>Clerical amendment creating a new table of sections at the beginning of chapter 73, title 38 U.S.C.</p>

Section	Provision	GAO Analysis
Health Security Act		
Section 8102(c)	<p>Transition Provision--The limitation in the second sentence of section 7344(c) of title 38, United States Code, as added by subsection (a), shall not apply during fiscal year 1994.</p>	<p>VA would be permitted to use appropriated funds for marketing, promotional, and advertising purposes during fiscal year 1994.</p>

ANALYSIS OF H.R. 3600
HEALTH SECURITY ACT
PART 2: OTHER PROVISIONS RELATING TO VETERANS

Section	Health Security Act Provision	GAO Analysis
Section 1004(b) Choice of Plans for Certain Groups	(2) Veterans. For veterans and families who elect to enroll in a veterans health plan under section 1801 of title 38, United States Code, as inserted by section 8101(a) of this Act, that plan shall be the applicable health plan.	For veterans and families who choose to enroll in a VA health plan, that plan shall be the applicable health plan.
Section 1012(c) Groups of Individuals Described	<p>Each of the following is a group of individuals described in this subsection:</p> <p>(1) AFDC [Aid to Families With Dependent Children] recipients (as defined in section 1902(3)).</p> <p>(2) Disabled SSI [Supplemental Security Income] recipients (as defined in section 1902(13)).</p> <p>(3) SSI recipients (as defined in section 1902(33)) who are not disabled SSI recipients.</p> <p>(4) Electing veterans (as defined in subsection (d)(1)).</p>	Provides that the families of electing veterans can be treated separately; that is, they do not have to enroll in the same health plan as the electing veteran.
Section 1012(d) Special Rules	<p>In this Act: (1) Electing veterans.</p> <p>(A) Defined. Subject to subparagraph (B), the term "electing veteran" means a veteran who makes an election to enroll with a health plan of the Department of Veterans Affairs under chapter 18 of title 38, United States Code, as added by section 8101(a)(1).</p> <p>(B) Family exception. Subparagraph (A) shall not apply with respect to coverage under a health plan referred to in such subparagraph if, for the area in which the electing veteran resides, such health plan offers coverage to family members of an electing veteran and the veteran elects family enrollment under such plan (instead of individual enrollment).</p>	An electing veteran is one who chooses to enroll with a VA health plan. In a VA health plan that offers family coverage, a veteran who elects family coverage under the VA health plan is not considered an electing veteran. The effects of this provision are not clear.

Section	Health Security Act Provision	GAO Analysis
Section 1111(c) Definitions	<p>For purposes of this subtitle:</p> <p>(1) Hospital. The term "hospital" has the meaning given such term in section 1861(e) of the Social Security Act, except that such term shall include</p> <p>(A) in the case of an item or service provided to an individual whose applicable health plan is specified pursuant to section 1004(b)(1), a facility of the uniformed services under title 10, United States Code, that is primarily engaged in providing services to inpatients that are equivalent to the services provided by a hospital defined in such section 1861(e);</p> <p>(B) in the case of an item or service provided to an individual whose applicable health plan is specified pursuant to section 1004(b)(2), a facility operated by the Department of Veterans Affairs that is primarily engaged in providing services to inpatients that are equivalent to the services provided by a hospital defined in such section 1861(e)</p>	<p>The term "hospital" generally means a hospital as defined under the Medicare program, but also includes VA and Department of Defense (DOD) hospitals that are primarily engaged in providing services equivalent to those described under Medicare law.</p>
Section 1115(f)(3) Psychiatric Hospital	<p>The term "psychiatric hospital" has the meaning given such term in section 1861(f) of the Social Security Act, except that such term shall include</p> <p>(1) in the case of an item or service provided to an individual whose applicable health plan is specified pursuant to section 1004(b)(1), a facility of the uniformed services under title 10, United States Code, that is engaged in providing services to inpatients that are equivalent to the services provided by a psychiatric hospital;</p> <p>(B) in the case of an item or service provided to an individual whose applicable health plan is specified pursuant to section 1004(b)(2), a facility operated by the Department of Veterans Affairs that is engaged in providing services to inpatients that are equivalent to the services provided by a psychiatric hospital.</p>	<p>The term "psychiatric hospital" generally means a facility as defined under the Medicare program, but also applies to VA psychiatric hospitals that provide services to inpatients comparable to those provided under Medicare.</p>

Section	Health Security Act Provision	GAO Analysis
Section 1128(d)(2) Approved Research Trial	<p>The term "approved research trial" means</p> <p>(A) a research trial approved by the Secretary of Health and Human Services, the Director of the National Institutes of Health, the Commissioner of the Food and Drug Administration, the Secretary of Veterans Affairs, the Secretary of Defense, or a qualified nongovernmental research entity as defined in guidelines of the National Institutes of Health.</p>	<p>Research trials conducted by VA are included under the definition of research trials.</p>
Section 1222(3)(E) Exclusion of Certain Individuals	<p>A single-payer system may not require the enrollment of electing veterans, active duty military personnel, and electing Indians (as defined in 1012(d)).</p>	<p>States that elect to operate single-payer systems cannot require the enrollment of veterans who elect to enroll in a VA health plan.</p>
Section 1311(d) Exclusion of Certain Individuals	<p>In accordance with rules of the Board, the following individuals shall not be treated as corporate alliance eligible individuals:</p> <ol style="list-style-type: none"> (1) AFDC recipients. (2) SSI recipients. (3) Individuals who are described in section 1004(b) (relating to veterans, military personnel, and Indians) and who elect an applicable health plan described in such section. 	<p>Veterans working for large employers choosing to establish corporate alliance health plans will retain the option of enrolling in a VA health plan. Those veterans working for such an employer who do not elect to enroll in the VA plan would be eligible to enroll in the corporate alliance health plan. It is not clear what responsibility the employer would have to pay premiums for employees electing to enroll in a VA health plan.</p>

Section	Health Security Act Provision	GAO Analysis
<p>Section 1321 Contracts With Health Plans</p>	<p>(a) Contracts with Plans.</p> <p>(1) In general, in order to assure the availability of the comprehensive benefit package to eligible individuals residing in the alliance area in a cost-effective manner, except as provided in this section, each regional alliance shall negotiate with any willing State-certified health plan to enter into a contract with the alliance for the enrollment under the plan of eligible individuals in the alliance area. Subject to paragraph (2), a regional alliance shall not enter into any such contract with a health plan that is not a State-certified health plan.</p> <p>(2) Treatment of certain plans. Each regional alliance shall enter into a contract under this section with any veterans health plan of the Department of Veterans Affairs and with a Uniformed Services Health Plan of the Department of Defense, that offers the comprehensive benefit package to eligible individuals residing in the alliance area if the appropriate official requests to enter into such a contract.</p>	<p>Regional alliances would be required to enter into contracts with VA and DOD health plans as long as the plans offer the comprehensive benefits package to eligible veterans living in the alliance area; other plans would have to be state-certified health plans and would have to be willing to negotiate with the state. VA and DOD health plans would essentially be exempt from all state and regional alliance requirements including those relating to quality of care, financial solvency, and premium-setting procedures.</p>

Section	Health Security Act Provision	GAO Analysis
1343(g) Alliance Accounting System	<p>(1) In general. Each regional alliance shall establish an accounting system that meets standards established by the Secretary.</p> <p>(2) Specifics. Such system shall collect information, on a timely basis for each individual enrolled (and, to the extent required by the Secretary, identified and required to be enrolled) in a regional alliance health plan regarding</p> <p>(A) the applicable premium for such enrollment,</p> <p>(B) family members covered under such enrollment,</p> <p>(C) the premium payments made by (or on behalf of) the individual for such enrollment,</p> <p>(D) employer premium payments made respecting the employment of the individual and other employer contributions made respecting such enrollment, and</p> <p>(E) any government contributions made with respect to such enrollment (including contributions for electing veterans and active duty military personnel).</p>	<p>Among the data that regional alliances would be required to track through their accounting systems would be data on government contributions made with respect to veterans enrolling in a VA health plan.</p>

Section	Health Security Act Provision	GAO Analysis
<p>Section 1351(e) Treatment of Veterans, Military, and Indian Health Plans and Programs</p>	<p>(1) Veterans health plan. In applying this subtitle (and title VI) in the case of a regional alliance health plan that is a veterans health plan of the Department of Veterans Affairs, the following rules apply:</p> <p>(A) For purposes of applying subtitle A of title VI, families enrolled under the plan shall not be taken into account.</p> <p>(B) The provisions of subtitle A of title VI shall not apply to the plan, other than such provisions as require the plan to submit a per capita amount for each regional alliance area on a timely basis, which amount shall be treated as the final accepted bid of the plan for the area for purposes of subtitle B of such title and this subtitle. This amount shall not be subject to negotiation and not subject to reduction under section 6011.</p> <p>(C) For purposes of computing the blended plan per capita payment amount under section 6201(a), the AFDC and SSI proportions (under section 6202(a)) are deemed to be 0 percent.</p>	<p>Regional alliances would be required to accept VA health plan bids as submitted without negotiation. In addition, the VA bids could not be reduced under title VI, subtitle A even if they exceed expenditure targets.</p>
<p>Section 1371(e) No Cost Sharing for Indians and Certain Veterans and Military Personnel</p>	<p>The provisions of section 6104(a)(3) shall apply to cost sharing reductions under this section in the same manner as such provisions apply to premium discounts under section 6104.</p>	<p>The provisions for reduced cost sharing do not apply to those veterans entitled to cost-free care under the proposed section 1831 of title 38 U.S.C.</p>
<p>Section 1541(b)(7) Special Consideration for Veterans, Military, and Indian Health Plans.</p>	<p>In developing the methodology under this section, the Board shall give consideration to the special enrollment and funding provisions relating to plans described in section 1004(b).</p>	<p>Would require the National Health Board to take into consideration the special enrollment and funding provisions of VA health plans in developing risk adjustment and reinsurance methodologies.</p>

Section	Health Security Act Provision	GAO Analysis
<p>Section 2003(e) Agreement to Give Equal Access to Discounts</p>	<p>An agreement under this subsection by a manufacturer of covered outpatient drugs shall guarantee that the manufacturer will offer, to each wholesaler or retailer (or other purchaser representing a group of such wholesalers or retailers) that purchases such drugs on substantially the same terms (including such terms as prompt payment, cash payment, volume purchase, single-site delivery, the use of formularies by purchasers, and any other terms effectively reducing the manufacturer's costs) as any other purchaser (including any institutional purchaser) the same price for such drugs as is offered to such other purchaser. In determining a manufacturer's compliance with the previous sentence, there shall not be taken into account terms offered to the Department of Veterans Affairs, the Department of Defense, or any public program.</p>	<p>Manufacturers of covered outpatient drugs would generally be required to give each wholesaler or retailer that purchases such drugs on substantially the same terms the same price as is offered to other purchasers. Terms offered to VA, DOD, or other public programs are not to be taken into account in determining compliance with such requirements.</p>

Section	Health Security Act Provision	GAO Analysis
<p>Part 7 Coverage of Services Provided by Facilities and Plans of Departments of Defense and Veterans Affairs</p> <p>Section 4062 Coverage of Services Provided to Medicare Beneficiaries by Plans and Facilities of Department of Veterans Affairs</p>	<p>(a) In general. Title XVIII, as amended by sections 4001 and 4003, is further amended by adding at the end the following new section:</p> <p>"treatment of plans and facilities of department of veterans affairs as providers</p> <p>Sec. 1895. (a) In general. Notwithstanding any other provision of this title</p> <p>(1) a VA health plan (as defined in section 1801(2) of title 38, United States Code) shall be considered an eligible organization for purposes of section 1876; and</p> <p>(2) a health care facility of the Department of Veterans Affairs shall be considered a provider of services under section 1861(u).</p> <p>(b) Eligibility for Payments.</p> <p>(1) VA health plans. The Secretary shall make payments to a VA health plan during a year on behalf of any veteran, other than a veteran described in section 1831(b) during the year (other than any individuals described in section 1831(b) of title 38, United States Code) in the same amounts and under the same terms and conditions under which the Secretary makes payments to eligible organizations with a risk-sharing contract under section 1876.</p>	<p>Basically a conforming amendment to the Social Security Act deeming VA facilities and VA health plans to be Medicare providers and HMOs, respectively, without regard to compliance with Medicare requirements. Provides that payments to VA health plans and health care facilities would be made in the same amounts and under the same conditions as apply to other Medicare providers.</p>

Section	Health Security Act Provision	GAO Analysis
<p>Section 4062 (cont.)</p>	<p>(2) Health care facilities. The Secretary shall make payments to a health care facility of the Department of Veterans Affairs for services provided to an individual entitled to benefits under this title in the same amounts and under the same terms and conditions under which the Secretary makes payments to providers of services under this title."</p> <p>(b) Effective date. The amendment made by subsection (a) shall apply to items and services furnished under title XVIII of the Social Security Act on or after January 1, 1998.</p>	
<p>Section 6104(a)(3) No Liability for Indians and Certain Veterans and Military Personnel.</p>	<p>(A) In general. In case of an individual described in subparagraph (B), because the applicable health plan does not impose any premium for such an individual, the individual is not eligible for any premium discount under this section.</p> <p>(B) Individuals described. An individual described in this subparagraph is</p> <p>(i) an electing veteran (as defined in section 1012(d)(1)) who is enrolled under a health plan of the Department of Veterans Affairs and who, under the laws and rules as in effect as of December 31, 1994, has a service-connected disability or who is unable to defray the expenses of necessary care as determined under section 1722(a) of title 38, United States Code.</p>	<p>Would provide that certain veterans enrolling in VA health plans would not be entitled to premium discounts based on income because they are already entitled to free care. This provision would not affect the eligibility of veterans enrolling in non-VA plans for premium discounts.</p>
<p>Section 6113(f) No Liability for Indians and Certain Veterans and Military Personnel</p>	<p>The provisions of paragraph (3) of section 6104(a) shall apply to the reduction in liability under this section in the same manner as such paragraph applies to the premium discount under section 6104.</p>	<p>Would provide that certain veterans enrolling in VA health plans would not be subject to the limitation on liability based on income under section 6113 because they would not be liable for any cost sharing under the VA health plan. This provision would not affect veterans enrolling in non-VA plans or dependents enrolling in VA health plans.</p>

Section	Health Security Act Provision	GAO Analysis
<p>Section 7201 Limitation on Exclusion for Employer-Provided Health Benefits</p>	<p>(a) General Rule. Section 106 (relating to contributions by employer to accident and health plans) is amended to read as follows: "SEC. 106. Contributions by Employer to Accident and Health Plans. (a) General rule. Except as otherwise provided in this section, gross income of an employee does not include employer-provided coverage under an accident or health plan. (b) Inclusion of Certain Benefits Not Part of Comprehensive Benefits Package. (1) In general. Effective on or after January 1, 2004, gross income of an employee shall include employer-provided coverage under any accident or health plan except to the extent that (A) such coverage consists of comprehensive health coverage described under section 1101 of the Health Security Act...</p> <p style="text-align: center;">. . .</p>	<p>Coverage provided to veterans that exceeds the comprehensive benefit package would not be counted as income even after 2004.</p>

Section	Health Security Act Provision	GAO Analysis
<p>Section 7201 (cont.)</p>	<p>(C) such coverage consists of permitted coverage. (2) Permitted coverage. For purposes of this subsection, "permitted coverage" means</p> <p style="padding-left: 40px;">(E) any coverage provided under Federal law to any individual (or spouse or dependent thereof) by reason of such individual being</p> <p style="padding-left: 80px;">(i) a member of the Armed Forces of the United States, or</p> <p style="padding-left: 80px;">(ii) a veteran...</p>	
<p>Section 1001(a)(3)(B) Electing Veterans, Military Personnel and Indians.</p>	<p>Paragraphs (1) and (2) shall not apply in the case of an individual described in section 1004(b) and making an election described in such section.</p>	<p>Veterans enrolling in a VA health plan are not subject to the workers compensation insurance requirements set out in this section.</p>

ANALYSIS OF H.R. 3600
HEALTH SECURITY ACT
PART 3: COMPARISON OF COVERED BENEFITS

While there are areas of significant difference, both the Comprehensive Benefit Package under the Health Security Act and the scope of care currently available to veterans under 38 U.S.C Chapter 17 are very extensive. The following is a side-by-side comparison of the health care services and benefits of the two programs.

This analysis is limited in that it does not consider or compare the cost sharing that the Health Security Act would entail or the cost sharing currently required of some veterans who use the VA system.

Our comparison of the two benefit packages shows that the current VA benefit is more inclusive in a number of areas. Because of limitations, until 2001, on mental health care and substance abuse treatment under the Health Security Act, the current VA benefit in those areas is more generous. Similarly, restrictions on most dental treatment to children under 18 also make the current VA benefit more generous in that regard. Also, VA currently provides corrective lenses as part of the optometric benefit, while the Health Security Act limits their provision to children under 18. Finally, VA provides care in two categories not mentioned in the Health Security Act--respite care and domiciliary care--and VA currently reimburses certain veterans for their travel expenses while the act does not.

Any comparison depends heavily, however, upon the impact of VA's complicated eligibility criteria. One area where this is evident is the broad category of outpatient services. While VA may have a broader array of covered benefits, the Health Security Act may be considered to be more generous in this regard because VA is currently limited to providing outpatient care to most veterans to prepare for, obviate the need for, or as a followup to hospitalization. The Health Security Act includes no such limitation.

ANALYSIS OF H.R. 3600
HEALTH SECURITY ACT
 PART 3: COMPARISON OF COVERED BENEFITS

Comprehensive Benefit Package	Current Veterans' Coverage	GAO Comments
<p>Hospital Services</p> <p>Hospital services include:</p> <ul style="list-style-type: none"> (1) Inpatient hospital services. (2) Outpatient hospital services. (3) 24-hour a day hospital emergency services. <p>Limitations: Hospital services do not include treatment of a mental or substance abuse disorder (which are covered under section 1115 of the Health Security Act), except for medical detoxification as required for the management of medical conditions associated with withdrawal from alcohol or drugs (which is not covered under such section).</p>	<p>Inpatient hospital care covered with no limitations on length of stay or number of episodes of care.</p> <p>VA must provide inpatient hospital care when needed to treat any veteran's service-connected disability. VA must also provide care for any condition for low-income veterans; veterans discharged from the military for a service-connected disability; veterans with service-connected disabilities; former prisoners of war; and World War I and Mexican border period veterans. VA must provide care to veterans exposed to certain toxic substances or radiation for conditions which may be related to such exposure. Care for other veterans may be provided when space and resources are available. VA may also provide care for any non-service-connected disability to any veteran inpatient in a VA facility if reasonably necessary to protect the health of the veteran.</p> <p>Eligibility criteria for outpatient services are described under "Emergency and Ambulatory Services."</p>	<p>VA medical centers do not generally provide 24-hour-a-day hospital emergency services, nor do they have pediatric or obstetric care facilities.</p>

Comprehensive Benefit Package	Current Veterans' Coverage	GAO Comments
<p>Health Professional Services</p> <p>The items and services covered under the Health Security Act are:</p> <p>(1) inpatient and outpatient health professional services, including consultations, that are provided in</p> <p>(A) a home, office, or other ambulatory care setting; or</p> <p>(B) an institutional setting; and</p> <p>(2) services and supplies (including drugs and biologicals that cannot be self-administered) furnished as an incident to such health professional services.</p> <p>Limitations: Does not include items or services that are described in any other section of this part. For example, it does not include the clinical preventive services described under section 1114 of the Health Security Act.</p>	<p>Health professional services are covered without limitations on numbers of services, but subject to inpatient and outpatient eligibility criteria described under the hospital services and emergency and ambulatory services sections.</p>	<p>None.</p>

Comprehensive Benefit Package	Current Veterans' Coverage	GAO Comments
<p>Clinical Preventive Services</p> <p>Immunizations, tests, and clinician visits delineated in the Health Security Act by age and medical history.</p> <p>Generally, the immunizations covered for those age 20 and older are tetanus and diphtheria, with influenza and pneumococcal invasive disease immunizations covered for those age 65 or older.</p> <p>Covered tests include pap smears, pelvic examinations, and mammograms for certain women, depending on age and medical history, and cholesterol screening for those over age 20.</p>	<p>VA covers as preventive health services the following:</p> <ul style="list-style-type: none"> -- periodic medical and dental examinations; -- patient health education, including nutrition education; -- maintenance of drug use profiles; -- mental health preventive services; -- substance abuse prevention services; -- immunizations against infectious diseases; -- prevention of musculoskeletal deformity; -- genetic counseling; -- routine vision testing and eye care services; -- periodic reexamination of high-risk groups; -- such other services determined necessary. <p>Access to these services is subject to the eligibility criteria described under the hospital and emergency and ambulatory services sections.</p>	<p>While subject to eligibility criteria limitations, note that VA may provide these and other services to any veteran hospitalized in a VA facility.</p>

Comprehensive Benefit Package	Current Veterans' Coverage	GAO Comments
<p data-bbox="206 1383 239 1936">Emergency and Ambulatory Services</p> <p data-bbox="247 1383 355 1936">The emergency and ambulatory medical and surgical services covered under the Health Security Act are</p> <ol data-bbox="379 1468 520 1936" style="list-style-type: none"> <li data-bbox="379 1468 437 1936">(1) 24-hour a day emergency services. <li data-bbox="462 1468 520 1936">(2) Ambulatory medical and surgical services. 	<p data-bbox="256 670 305 1340">Emergency services are not excluded under Chapter 17.</p> <p data-bbox="313 627 421 1340">VA provision of ambulatory or outpatient services is subject to the following eligibility criteria and to the availability of resources:</p> <p data-bbox="429 606 768 1340">VA must provide any outpatient care needed to treat a service-connected disability; treatment of any condition of a veteran with service-connected disabilities rated 50 percent or greater; treatment of any condition which may have been caused by service in the Persian Gulf; and any care needed in preparation for, to obviate the need for, or as a followup to hospitalization for any veteran with service-connected disabilities rated 30 or 40 percent and veterans with incomes below the VA pension and aid and attendance levels.</p> <p data-bbox="776 606 982 1340">VA may provide any outpatient services needed by former prisoners of war, World War I or Mexican border period veterans, or housebound veterans or other receivers of an allowance for regular aid and attendance. Other veterans may receive outpatient care only to prepare for, obviate the need for, or as follow up to hospitalization.</p>	<p data-bbox="256 234 421 563">The absence of 24-hour emergency rooms at VA facilities serves to limit the availability of this type of care.</p> <p data-bbox="446 234 586 563">VA may reimburse veterans for certain emergency services they receive elsewhere.</p>

Comprehensive Benefit Package	Current Veterans' Coverage	GAO Comments
<p>Mental Illness</p> <p>Covered under the Health Security Act are:</p> <p>(1) Inpatient and residential mental illness treatment.</p> <p>(2) Intensive nonresidential mental illness treatment.</p> <p>(3) Outpatient mental illness treatment, including case management, screening and assessment, crisis services, and collateral services.</p> <p>Limitations: Until 2001, there is an aggregate limit of 30 days of inpatient and residential mental health and substance abuse treatment with an additional 30 days covered under certain circumstances. Nonresidential and outpatient treatment are at the discretion of the health plan.</p>	<p>VA covers inpatient and outpatient mental health care without limits on numbers of days of care or outpatient visits. In general, however, access to such care is subject to the availability of space and resources and the eligibility criteria described under the hospital and emergency and ambulatory services sections.</p> <p>The following eligibility criteria exceptions apply:</p> <p>VA must provide counseling, assessment, and needed outpatient care to assist in readjustment to civilian life for any Vietnam era veteran or post-Vietnam era combat veteran.</p> <p>VA may provide counseling services needed by former prisoners of war to overcome the psychological effects of detention or internment.</p> <p>Under section 1720(D) of title 38 U.S.C. VA provides counseling for women veterans for sexual traumas.</p>	<p>None.</p>

Comprehensive Benefit Package	Current Veterans' Coverage	GAO Comments
<p>Substance Abuse</p> <p>Covered under the Health Security Act are:</p> <ul style="list-style-type: none"> (1) Inpatient and residential substance abuse treatment. (2) Intensive nonresidential substance abuse treatment. (3) Outpatient substance abuse treatment, including case management, screening and assessment, crisis services, and collateral services. <p>Limitations:</p> <p>Until 2001, there is an aggregate annual limit of 30 days of inpatient and residential treatment with an additional 30 days covered under certain conditions. Intensive nonresidential treatment and outpatient treatment are covered at the discretion of the health plan.</p>	<p>VA covers inpatient and outpatient substance abuse treatment, including treatment in halfway houses (section 1720(A) of title 38 U.S.C.) without limits on numbers of days of care or outpatient visits. In general, however, access to such care is subject to the availability of space and resources and the eligibility criteria described under the hospital and emergency and ambulatory services sections.</p>	<p>None.</p>

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<p>Family Planning Services, Pregnancy Related Services</p> <p>The following items and services are covered under the Health Security Act:</p> <ul style="list-style-type: none"> (1) Voluntary family planning services. (2) Contraceptive devices that <ul style="list-style-type: none"> (A) may only be dispensed upon prescription; and (B) are subject to approval by the Secretary of Health and Human Services under the Federal Food, Drug, and Cosmetic Act. (3) Services for pregnant women. 	<p>VA provides general reproductive care such as gynecological care and family planning. It excludes infertility services and pregnancy care, except for such care relating to a pregnancy that is complicated or in which the risks of complication are increased by a service-connected condition.</p>	<p>None.</p>
<p>Hospice Care</p> <p>Under the Health Security Act the items and services currently covered under the Medicare program would be covered.</p>	<p>All terminally ill veterans are eligible for hospice care.</p>	<p>Only 28 VA medical centers had inpatient hospice units in fiscal year 1992, but all medical centers provided hospice care.</p>

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<p>Home Health Care</p> <p>Home health care under the Health Security Act would include</p> <ul style="list-style-type: none"> (1) the items and services currently covered under Medicare's home health benefit; and (2) home infusion drug therapy services (as added to the Medicare program by section 2005 of the Health Security Act). <p>Limitations: Coverage for home health care is subject to the following limitations:</p> <ul style="list-style-type: none"> (1) Such care is covered only as an alternative to inpatient treatment. (2) Need for continued care reevaluated every 60 days. Additional periods of care allowed if care continues to be an alternative to inpatient care. 	<p>VA may furnish such home health services as it determines necessary or appropriate for the effective and economical treatment of a veteran's disability.</p> <p>Improvements and structural alterations can be furnished as part of the home health services if necessary but are limited in amount depending on eligibility.</p> <p>VA may furnish an invalid lift, or any type of therapeutic or rehabilitative device, as well as other medical equipment and supplies (excluding medicines). Such equipment and supplies are limited to certain service-connected and low-income veterans.</p> <p>Eligibility for home health services is based on eligibility for outpatient care as described under the section on emergency and ambulatory services.</p>	<p>VA operates a hospital-based home care (HBHC) program that delivers primary health care in the home through a hospital-based interdisciplinary team. The team provides medical and nursing care, rehabilitation, social services, dietetic consultations, and psychological assessments.</p> <p>All veterans are eligible to participate in HBHC. During fiscal year 1992, 75 VA medical centers operated HBHC programs.</p>

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<p>Extended Care Services</p> <p>The extended care services covered under the Health Security Act are the items and services provided to an inpatient of a skilled nursing facility or a rehabilitation facility, as described under Medicare.</p> <p>Limitations:</p> <p>(1) Such services are covered only as an alternative to inpatient treatment in a hospital after an illness or injury.</p> <p>(2) Such services are subject to an aggregate annual limit of 100 days.</p>	<p>VA covers both skilled and intermediate nursing home care and rehabilitation care.</p> <p>VA may provide such services to any veteran in VA facilities, based on the availability of space and resources.</p> <p>VA may also pay for up to 6 months of care in a community nursing home for any veteran following inpatient care in a VA or military facility. Such a veteran must have received the maximum benefit of his or her inpatient care but still require a protracted period of nursing home care. The 6 month limit does not apply to veterans needing nursing home care because of a service-connected disability.</p> <p>VA may also pay for care for any veteran beyond the initial 6 months if a longer period of care is warranted.</p> <p>Veterans with service-connected disabilities can be admitted directly to nursing homes without a prior hospitalization for care required for a service-connected disability.</p>	<p>None.</p>

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<p>Ambulance Services</p> <p>The ambulance services covered under the Health Security Act are:</p> <ul style="list-style-type: none"> (1) Ground transportation by ambulance. (2) Air transportation by an aircraft equipped for transporting an injured or sick individual. (3) Water transportation by a vessel equipped for transporting an injured or sick individual. <p>Limitations:</p> <p>Generally covered only where medically indicated and other means are not available.</p>	<p>VA may reimburse otherwise eligible veterans for emergency services they require, including ambulance services. The reimbursement of ambulance services is subject to the eligibility requirements established for beneficiary travel.</p>	<p>None.</p>
<p>Outpatient Laboratory, Radiologic, and Diagnostic Services</p> <p>The items and services covered under the Health Security Act are laboratory, radiology, and diagnostic services provided upon prescription to individuals who are not inpatients of a hospital, hospice, skilled nursing facility, or rehabilitation facility.</p>	<p>VA provides the outpatient services described in the Health Security Act, subject to the eligibility criteria for outpatient care described under emergency and ambulatory services.</p>	<p>None.</p>

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<p>Outpatient Prescriptions</p> <p>Under the Health Security Act the following items are covered:</p> <p>(1) Outpatient drugs described in section 1861 of the Social Security Act (as amended by section 2001(b) of the Health Security Act)</p> <p>(b) Blood clotting factors when provided on an outpatient basis</p>	<p>VA covers outpatient prescription drugs and some over-the-counter drugs and medical supplies. VA covers only prescriptions written by VA physicians, except for veterans receiving care under the fee basis program.</p>	<p>None.</p>

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<p>Outpatient Rehabilitation</p> <p>The outpatient rehabilitation services covered under section 1123 of the Health Security Act are:</p> <ul style="list-style-type: none"> (1) outpatient occupational therapy; (2) outpatient physical therapy; and (3) outpatient speech pathology services for the purpose of attaining or restoring speech. <p>Limitations:</p> <ul style="list-style-type: none"> (1) Such services include only items or services used to restore functional capacity or minimize limitations on physical and cognitive functions as a result of an illness or injury. (2) The need for continued services shall be reevaluated every 60 days. Additional periods of service are covered only if functioning is improving. 	<p>VA provides rehabilitation services, access to which is subject to the eligibility criteria previously described for outpatient care under emergency and ambulatory services.</p>	<p>None.</p>

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<p>Durable Medical Equipment, Prosthetic and Orthotic Devices</p> <p>The items and services covered under section 1124 of the Health Security Act are:</p> <ul style="list-style-type: none"> (1) durable medical equipment, including accessories and supplies; (2) prosthetic devices (other than dental devices) which replace all or part of the function of an internal body organ; (3) accessories and supplies which are used directly with a prosthetic device; (4) leg, arm, back, and neck braces; (5) artificial legs, arms, and eyes, including replacements; and (6) fitting and training for use of the above items. <p>Limitation: Covered only if it improves functional ability or prevents further deterioration in function.</p>	<p>The chapter 17, title 38 U.S.C. definition of medical services includes wheelchairs, artificial limbs, trusses and similar appliances, special clothing made necessary by the wearing of prosthetic appliances, and other such supplies or services VA determines to be reasonable and necessary. Such services and supplies are subject to the inpatient and outpatient eligibility criteria described under the hospital services and emergency and ambulatory services sections.</p> <p>VA may furnish devices for assisting veterans who are profoundly deaf and eligible for compensation for hearing loss.</p> <p>VA also provides aids to the blind, including education in the use of devices under section 1714 of title 38 U.S.C.</p>	<p>None.</p>

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<p>Vision Care</p> <p>Routine eye examinations, diagnosis, and treatment for defects in vision are covered.</p> <p>Limitation: Eyeglasses and contact lenses are generally covered only for individuals less than 18 years of age.</p>	<p>VA provides vision testing and eye care services, including eyeglasses and contact lenses, subject to the eligibility criteria described under emergency and ambulatory services.</p>	<p>None.</p>
<p>Dental Care</p> <p>Includes the following:</p> <ol style="list-style-type: none"> (1) Emergency dental treatment, (2) Prevention and diagnosis of dental disease, (3) Treatment of dental disease, including routine fillings, (4) Space maintenance procedures to prevent orthodontic complications. (5) Interceptive orthodontic treatment to prevent severe malocclusion. <p>Limitations: Prior to 2001, prevention and treatment (items 2 & 3) are limited to children under 18; after 2001 adults are covered except for sealants and orthotics; space maintenance (item 4) is limited to children 3-13 years; interceptive orthodontics (item 5) is not covered prior to 2001, after 2001 only children ages 6-12 are covered.</p>	<p>VA <u>must</u> provide outpatient dental care and related dental appliances for the following dental conditions: Compensable service-connected dental conditions or dental conditions that aggravate a service-connected disability; noncompensable service-connected dental conditions caused by trauma or experienced by former prisoners of war; conditions present at the time of a veteran's discharge from service (where the veteran requests dental services within 90 days of discharge); dental treatment medically necessary to prepare a veteran for VA hospital care or other VA medical treatment; care needed by vocational rehabilitation program participants in order to remain in that program; and, treatment begun while a veteran was hospitalized in a VA facility.</p> <p>VA <u>must</u> provide dental services for any condition to veterans who were prisoners of war for 90 days or more and veterans with service-connected disabilities rated 100 percent.</p>	<p>None.</p>

Comprehensive Benefit Package	Current Veterans' Coverage	GAO Comments
Health Education		
<p>Covered at the discretion of individual health plans</p> <p>Education and training classes may include smoking cessation, nutrition counseling, stress management, support groups, and physical training classes.</p>	<p>The definition of "medical services" under chapter 17, title 38 U.S.C. includes health education services. Among the health education services VA covers are those provided under the prosthetics, hearing, and blind rehabilitation programs. The availability of such services is subject to the eligibility criteria described under hospital services and emergency and ambulatory services.</p>	<p>None.</p>
Investigational Treatments		
<p>Covered at the discretion of individual health plans</p>	<p>Not discussed in Chapter 17, title 38 U.S.C.</p>	<p>None.</p>
Respite Care		
<p>Not covered under the comprehensive benefit package but may be covered by individual states under Title II, Subtitle B, Part 1 (Long Term Care, State Programs)</p>	<p>Covered</p>	<p>None.</p>
Domiciliary Care		
<p>Not covered under the comprehensive benefit package</p>	<p>Covered, but generally limited to low-income veterans.</p>	<p>None.</p>

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