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APPROVED
OCT 22 1975

Signed
10/22/75

THE WHITE HOUSE
WASHINGTON

ACTION

Last Day: October 22

October 21, 1975

Paul
10/23
To Archive
10/23

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON *JC*

SUBJECT:

Enrolled Bill H.R. 8240 - Veterans' Administration Physician and Dentist Pay Comparability Act of 1975

Attached for your consideration is H.R. 8240, sponsored by Representative Satterfield and 24 others, which would provide temporary authority for the Veterans' Administration to pay VA physicians and dentists special pay in addition to their basic salaries for the purpose of improving the agency's recruitment and retention of such personnel.

The key provision of the bill addresses VA's immediate physician recruitment and retention problem in a manner consistent with our proposals sent to the Congress earlier this year. The enrolled bill is a product of considerable compromise between the House and Senate Veterans Affairs Committees. It had practically no opposition in Congress, and Jim Lynn reports that it does not raise a budgetary issue.

A detailed discussion of the bill, including arguments for approval and disapproval, is provided in OMB's enrolled bill report at Tab A.

VA, Max Friedersdorf, Counsel's Office (Lazarus), NSC, and I recommend approval of the enrolled bill. Jim Lynn also recommends approval of the bill in spite of strong misgivings about its inclusion of dentists. The Civil Service Commission agrees that a temporary bonus for physicians is needed at this time but strongly objects to providing a bonus to dentists and recommends disapproval.

RECOMMENDATION

That you sign H.R. 8240 at Tab B.

Approve *JC*

Veto _____



A



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 16 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 8240 - Veterans' Administration
Physician and Dentist Pay Comparability Act of
1975
Sponsor - Rep. Satterfield (D) Virginia and
24 others

Last Day for Action

October 22, 1975 - Wednesday

Purpose

Authorizes special pay bonuses to Veterans Administration physicians and dentists to assist the agency in recruiting and retaining such personnel.

Agency Recommendations

Office of Management and Budget	Approval
Veterans Administration	Approval
Department of Defense	Defers to VA (Informally)
Department of Health, Education, and Welfare	Defers to VA
Civil Service Commission	Disapproval (Veto message attached)

Discussion

H.R. 8240 would provide temporary authority for the Veterans Administration to pay VA physicians and dentists special pay in addition to their basic salaries for the purpose of improving the agency's recruitment and retention efforts. The bill is similar in purpose to P.L. 93-274, which authorized temporary bonus pay for physicians (but not dentists) in the Armed Services and the Public Health Service Commissioned Corps. It is designed to put VA

physicians and dentists on a comparable salary level with uniformed physicians and dentists. H.R. 8240 also would provide for increases in the pay schedules of VA physician assistants and dental auxiliaries and would mandate studies of the medical personnel pay problem in the Federal Government.

The bill was approved by a 382-3 vote in the House and by a 79-6 vote in the Senate.

Background

The enrolled bill resulted from a study of patient care in veterans' hospitals conducted by VA in 1974 at the request of President Nixon. That study concluded that the most critical problem confronting the VA medical system was the recruitment and retention of an adequate staff of qualified personnel and that the single greatest barrier was the inadequacy of salaries. The VA medical personnel pay problem is due in considerable measure to the freeze on executive pay levels in recent years. It was compounded last year by the authorization in P.L. 93-274 of bonuses to military and PHS physicians. The effect of that law was to place VA doctors at a comparative disadvantage relative to uniformed Federal doctors.

To ameliorate this problem, the Administration submitted draft legislation on May 29, 1975 which would have authorized a temporary one-year bonus program for VA physicians comparable to that of DOD and PHS. The VA bonus authority was proposed to run from July 1, 1975 to June 30, 1976, the same period as P.L. 93-274, with a view toward evaluating the results as part of an overall analysis of the physician recruitment, retention and pay situation throughout the Federal Government. At the direction of OMB, an interagency task force was formed on September 4, 1975 to analyze the compensation and personnel systems for physicians and other Federal health professionals and to consider alternatives to an extension of the bonus for physicians and/or its use for other health professionals. The task force, chaired by the Civil Service Commission (CSC) and with members from OMB, VA, HEW and DOD, has been requested to submit its recommendations by December 1, 1975 so that they may be considered in connection with the preparation of the 1977 budget.

Description of the enrolled bill

Physician and Dentist Bonus. H.R. 8240 would authorize VA to pay a bonus to physicians of up to \$13,500 annually--the same as the maximum payable to uniformed doctors--in

return for an agreement from the recipient to serve in VA for a term of from one to four years. VA's authority to make such agreements would take effect on October 12, 1975 and would expire on October 11, 1976. All eligible VA physicians would receive a base bonus payment of \$5,000 and an additional variable amount of up to \$8,500 depending on length of service, specialty, professional responsibility, and other criteria identified in the bill. Eligible dentists would receive half the bonus paid to doctors--a base payment of \$2,500 and a variable amount of up to \$4,250. Persons working less than half-time would not be eligible.

The primary difference between H.R. 8240 and the Administration proposal is the authorization of a bonus for dentists in the enrolled bill. The Administration proposal would have limited the bonus payment to physicians only since VA recruitment or retention problems did not support a need for bonuses in the case of VA dentists. Moreover, the Congress explicitly excluded dentists in enacting the military bonus bill last year. There has been no shortage of Government dentists and CSC has closed the register to new applicants a number of times in the last 3 years. It should be noted, however, that although DOD and PHS dentists do not receive "bonus" pay, they have been eligible for many years for similar forms of incentive pay, i.e., monthly special pay and annual continuation pay which result in pay levels in their case considerably above those of VA dentists.

Under the enrolled bill, VA would be able to exclude certain categories of physicians and dentists from eligibility for the bonus payment where there is no significant recruitment or retention problem. However, VA would have no discretion to discriminate between physicians and dentists, but would be required to apply the exclusion equally to both groups, regardless of differences in recruitment or retention factors. Certain categories of personnel, e.g., residents and interns, would be excluded by law.

H.R. 8240 also contains a pay-back provision which would require any VA physician or dentist who fails to complete one year of service to refund all of the bonus payment for that year. There would not be any pay-back penalty for failure to complete the term of the agreement, provided that at least one year of service was completed. This provision differs from that for DOD and PHS physicians who must repay substantial amounts of the bonus whenever their contracts are broken.

Other Provisions. H.R. 8240 contains other provisions that would modify and increase benefits for VA medical personnel. These provisions would:

-- revise the physician and dentist basic pay schedule to reflect the recent 5% Federal pay adjustment,

-- transfer the salary authorizations for VA's top medical officials from title 5 to title 38 and establish new maximum salary levels for those three officials,

-- remove the prohibition on compensatory time off for VA registered nurses, and

-- provide for higher rates of pay for physicians' assistants and expanded-duty dental auxiliaries by transferring them from the Civil Service General Schedule pay system to the higher VA pay system for nurses.

In addition, H.R. 8240 would require OMB and GAO each to submit by August 31, 1976 separate reports on the recruitment, retention and pay comparability problems of physicians and dentists in VA and other Federal departments and agencies. GAO would also be required to submit a second report to the Congress by March 1, 1977 on the recruitment, retention and pay comparability problems of health care personnel other than physicians and dentists. The enrolled bill also would require the VA Administrator to report annually to the Congress on the operation of the special pay program.

Budget Impact

Enactment of H.R. 8240, with an effective date of October 12, 1975, would result in a nine-month fiscal year 1976 cost of \$40 million, and a transition quarter cost of \$14 million. While the authority to enter into bonus contracts would expire in one year, the four-year service agreements would result in an estimated five-year cost of \$193 million through fiscal year 1980.

The one-year cost of the Administration's bill was estimated at \$63 million compared to a full first-year cost of H.R. 8240 of \$54 million. The higher estimate for the Administration's bill is due to provisions that would have awarded special pay to all part-time VA physicians on a proportional basis, and to the different weighting of special pay factors. The inclusion of dentists in H.R. 8240

impacts only slightly on the total cost of the enrolled bill, with a first-year estimated cost of \$2.4 million.

Financing the implementation of H.R. 8240 will have to be determined in the context of our current review of fiscal year 1976 and 1977 actions necessary to support your 1977 budget goals. We have not yet determined whether an appropriation for this bill should be sought, or whether the agency should be required to absorb the bill's cost, should you approve H.R. 8240.

Arguments in Favor of Approval

1. The proposed \$13,500 maximum special pay for VA physicians would make their total compensation comparable to that of uniformed service physicians. The special pay provision for physicians is nearly identical to that proposed by the Administration and would allow VA to better compete with DOD and PHS for the services of physicians in order to alleviate an acknowledged critical recruitment and retention problem.

2. H.R. 8240 is also consistent with the Administration proposal in that it would provide a one-year authority only for VA to enter into contracts. It also recognizes the need for further consideration of the broader issue of medical personnel pay in all Federal agencies by its requirements for studies of this issue.

3. The proposed \$6,750 maximum special pay for VA dentists would make VA dental pay more comparable with the pay currently received by uniformed service dentists, who now receive special pay and continuation pay.

4. The estimated cost of H.R. 8240 is lower than the cost projected for the Administration's proposal, despite the inclusion of dentists in H.R. 8240. The costs of the dental provisions are a relatively small part of the overall cost of the measure.

Arguments Against Approval

1. H.R. 8240 would unjustifiably authorize payments of special pay to VA dentists, despite testimony by VA that the recruitment and retention of dentists is not a major problem. Continuation and special pay for uniformed dentists have existed for many years without constituting any demonstrable problem for VA.

2. Since the Congress specifically excluded DOD and PHS dentists from the bonus provisions of P.L. 93-274, the enrolled bill would be the first to include dentists in "bonus" type legislation. As CSC points out in its views letter, extension of the bonus to VA dentists would more deeply ingrain the bonus approach and would make the task of reaching a permanent solution to the government-wide medical personnel problem much more difficult.

3. Extension of special pay to VA dentists could establish a precedent for payment of a bonus to dentists in other Federal agencies and to other health personnel as well. Just as P.L. 93-274 generated pressure for extension of the physician pay bonus to other than DOD and PHS physicians, enactment of H.R. 8240 could generate pressure to extend the special VA dentist pay provisions to DOD and PHS dentists (who now regard continuation and monthly special pay as part of their basic salary), as well as to other health personnel such as nurses.

4. CSC believes that removal of physicians' assistants and expanded-duty dental auxiliaries from the GS pay system to the higher pay system for VA nurses would create inequities in relation to other Federal employees and would constitute an objectionable piecemeal approach to a pay problem that must be dealt with in a comprehensive manner.

Recommendations

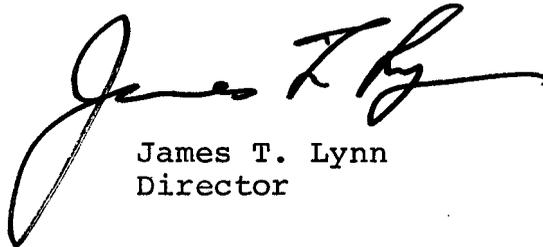
VA strongly urges approval of H.R. 8240. VA believes that the enrolled bill represents a considerable compromise by the Congress which earlier had under consideration a much more objectionable and costly bill than H.R. 8240. With respect to the dentist bonus, VA believes that the Congress made substantial concessions in H.R. 8240, e.g., limiting the dentist bonus to half the amount received by physicians.

CSC acknowledges that VA has a serious problem in recruiting and retaining physicians and agrees that a temporary bonus for physicians is needed at this time. However, CSC strongly objects to providing a bonus to dentists and recommends that H.R. 8240 be disapproved. In its views letter, CSC states "...we can see no justification for extending a temporary and expedient solution to the shortage of physicians to cover dentists as well, despite the lack of any shortage, or recruitment or retention problem, in that occupation."

* * * * *

We continue to believe that providing a bonus for VA dentists is unjustified in terms of need and that it could set in motion pressures to provide similar bonuses for dentists in other Federal agencies and for other groups of health personnel. On the other hand, the key provisions of H.R. 8240 address VA's immediate physician recruitment and retention problem in a manner consistent with the Administration proposal submitted to the Congress earlier this year.

As VA indicates, the enrolled bill is a product of considerable compromise between the House and Senate Veterans Affairs Committees. It had practically no opposition on the floor of either House and does not raise a budgetary issue. It is also viewed by many as a necessary measure for improving patient care in the VA medical system. For these reasons, we join VA in recommending approval of the bill, despite our strong misgivings about its inclusion of dentists.

A handwritten signature in black ink, appearing to read "James T. Lynn". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

James T. Lynn
Director

Attachments

B



UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

CHAIRMAN

OCT 15 1975

Honorable James T. Lynn
Director
Office of Management and Budget

Attention: Assistant Director for
Legislative Reference

Dear Mr. Lynn:

This is in response to your request for the views and recommendations of the Civil Service Commission on H.R. 8240, an enrolled bill "To amend title 38, United States Code, to provide special pay and incentive pay for certain physicians and dentists employed by the Department of Medicine and Surgery of the Veterans' Administration in order to enhance the recruitment and retention of such personnel, and for other purposes."

Enrolled bill H.R. 8240 would provide bonuses, called "special pay" and "incentive special pay," to physicians and dentists in the Department of Medicine and Surgery. The enrolled bill would also remove certain executive positions in the Department of Medicine and Surgery from the Executive Schedule and place them under the Department's title 38 pay schedule, remove the Department's physicians' assistants and expanded-duty dental auxiliaries from the General Schedule and place them under the title 38 basic and premium pay system for nurses, allow the Department's nurses to request compensatory time in lieu of overtime pay, and mandate certain studies of pay problems in the Department of Medicine and Surgery.

The Civil Service Commission is aware of, and deeply concerned by, the difficulty the Veterans' Administration has been having in recruiting and retaining a workforce of qualified physicians. This problem, which also affects the Government's more than 2,000 General Schedule physicians, has resulted in large part from the pay compression affecting all executives and senior professionals throughout the Government. The problem for physicians in particular has been exacerbated by the bonuses now being paid to physicians in the uniformed services. This whole area is, of course, currently being studied by a Joint Agency Work Group which is scheduled to report on December 1, 1975. While we have reservations as to the desirability of a bonus approach as a permanent solution to the problem of pay for Federal physicians, the critical nature of the Veterans' Administration's recruitment and retention situation compels us to agree that a temporary bonus for physicians in the Veterans' Administration is needed at this time.

We do not agree, however, that such a bonus for physicians should also be provided to dentists. While it is possible that a comprehensive solution to the whole question of pay for the Government's health professionals might include dentists under its coverage, we can see no justification for extending a temporary and expedient solution to the shortage of physicians to cover dentists as well, despite the lack of any shortage, or recruitment or retention problem, in that occupation. In fact, we would view the extension of bonuses to Veterans' Administration dentists as being likely to make it more difficult for the Government to reach a permanent and thoroughgoing solution to the problems of pay for its health professionals, since it would ingrain more deeply the bonus approach, and would also make it much more difficult to implement any future decision, should that decision be to treat physicians and dentists differently.

We also must object to the provision of the bill which would remove physicians' assistants and expanded-duty dental auxiliaries from the General Schedule and place them under the title 38 basic and premium pay provisions for nurses. While it is true that the unusual premium pay benefits that were established for Veterans' Administration nurses by Public Law 93-82 have created certain problems vis-a-vis the title 5 premium pay that is provided for other Veterans' Administration health care personnel, we do not think that a piecemeal removal of additional categories of health care personnel from the title 5 system is an appropriate way of dealing with these problems. We note that section 4(d) of enrolled bill H.R. 8240 would call upon the Comptroller General to study and report to Congress on the problems of basic and premium pay for all health care personnel (other than physicians and dentists, who would be dealt with by a separate study) in the Veterans' Administration. We would certainly be willing to participate in any way possible in such a study, as we believe the problems of health care personnel must be dealt with in a comprehensive, rather than a piecemeal, manner.

Because of these objections, the Civil Service Commission must recommend that enrolled bill H.R. 8240 be vetoed, despite our agreement with the most important provision of the bill, the bonus for physicians. We have prepared the enclosed draft of a possible veto message, urging Congress to revise the bill to delete its undesirable features.

By direction of the Commission:

Sincerely yours,



Chairman

Enclosure



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420



October 15, 1975

The Honorable
James T. Lynn
Director, Office of
Management and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

This will respond to the request of the Assistant Director for Legislative Reference for the views of the Veterans Administration on the enrolled enactment of H.R. 8240, 94th Congress, the "Veterans' Administration Physician and Dentist Pay Comparability Act of 1975."

The primary purpose of the bill is to provide special pay for certain physicians and dentists employed by the Department of Medicine and Surgery of the Veterans Administration, to enhance the recruitment and retention of such personnel. It would amend subchapter I of chapter 73 of title 38, in order to provide for the new special pay program, by --

(1) Directing the Administrator, effective October 12, 1975, to provide for the payment to eligible physicians and dentists employed by the Department of Medicine and Surgery, in addition to any other pay or allowance to which such individuals are entitled, special pay in an amount not to exceed \$13,500 per annum to any physician, or \$6,750 per annum to any dentist, upon acceptance of a written agreement to complete a specified number of years, not exceeding four, of service in the Department.

(2) Providing that the special pay would be divided into primary pay of \$5,000 per annum to any eligible full-time physician, or \$2,500 to any eligible full-time dentist, and

incentive pay of no more than \$8,500 per annum to any eligible full-time physician, or \$4,250 to any eligible full-time dentist, based on certain specified factors. Proportional amounts, except for the amount for full-time status, would be payable to eligible individuals employed on a half-time or more basis.

(3) Providing that special pay may not be paid to any physician or dentist who is employed on less than a half-time basis or intermittently, who occupies an internship or residency training position, or who is a reemployed annuitant.

(4) Authorizing the Chief Medical Director to determine categories of other positions equally applicable to both physicians and dentists as to which there is no recruitment and retention problem, and who would not be eligible for special pay.

(5) Providing that the annual rate of special pay be reduced by the amount of the increase in base pay for the appropriate grade and step effected by Executive Order 11883, dated October 6, 1975, which is effective in VA on October 12, 1975.

(6) Providing that no part-time physician be paid an aggregate amount of basic pay and special pay in excess of \$42,000 per annum, or a part-time dentist in excess of \$37,000 per annum.

(7) Providing that if any physician or dentist voluntarily, or because of misconduct, fails to complete the first year of an agreement, such individual would be required to refund the entire amount received during that first year, unless the Chief Medical Director determines that such failure was beyond the control of the physician or dentist.

(8) Providing that payments of special pay shall be paid in biweekly installments.

(9) Providing that any eligible physician or dentist employed on or before the effective date of the special pay

provisions, and who enters into an agreement during the forty-five day period beginning on the date of enactment, will be paid special pay beginning on the effective date of the new section. It provides for later effective dates for other eligible physicians or dentists.

The bill would also transfer the positions of Chief Medical Director and Deputy Chief Medical Director from the Executive Schedule of title 5 to the section 4103 Schedule under title 38, and substitute specific rates for these two positions and for the Associate Deputy Chief Medical Director. It would still provide, however, that the basic rate of pay for these three positions would be no more than those authorized for Executive Schedule levels III, IV, and V, respectively. Moreover, the bill would amend the basic rates of pay for the Assistant Chief Medical Director, Medical Director, and "Physician and Dentist Schedule" grades in section 4107 of title 38, to be consistent with the rates set by Executive Order 11883, reflecting the October 12, 1975, rates of pay, along with the pay limitation applicable to individuals in these grades of the amount authorized for level V of the Executive Schedule.

In addition to the basic pay and special pay provisions for physicians and dentists, the bill would provide for the appointment and pay of physicians' assistants and expanded-duty dental auxiliaries under title 38, rather than title 5. The bill would also provide that nurses, upon their written request, may be granted compensatory time off in lieu of overtime pay, which is not authorized by current law. In addition, it would provide still further for a number of studies and reports to be made to Congress by the Comptroller General, the Director of the Office of Management and Budget, the Administrator of Veterans Affairs, and the Chief Medical Director on various matters relating to health care personnel.

The special pay provisions of the bill relative to DM&S physicians would, in general, accomplish the purposes of the draft proposal I submitted to the President of the Senate and Speaker of the House of Representatives on May 29, 1975,

which would have authorized the payment of a variable allowance of up to \$13,500 per annum to physicians employed by the Department of Medicine and Surgery of the Veterans Administration in order to assist in the recruitment and retention of such physicians.

We pointed out in our original submission to your office earlier this year, the finding of the July 1974 Department of Medicine and Surgery Task Force to the effect that the most critical problem confronting DM&S was the recruitment and retention of an adequate staff of well qualified personnel essential to providing high quality health care for veterans. We stated then that the principle deterrent to the successful recruitment and retention of these professionals rests in inadequate pay schedules which preclude competitive remuneration for their services. The situation has not improved in this ensuing year, but has become even more serious. Many VA physicians have remained only because of the hope of remedial legislation. If this expectation is not soon realized, we are fearful that an irreversible trend will emerge of VA medical care personnel leaving the VA system for higher compensated positions elsewhere.

We recognize that certain provisions contained in the enrolled bill were not contained in the Administration's legislative proposal. We believe, however, with the possible exception of the inclusion of dentists which will be discussed below, that the addition of these provisions has merit, and will improve our capability to provide quality care to veterans. Furthermore, their costs must be considered minimal when considered in the context of the entire pay comparability problem. Moreover, the bill now presented to the President represents a considerable compromise on the part of the Legislative Branch, which evolved from numerous discussions with representatives of this agency, after consultation with members of your staff. For example, the House version contained basic pay rates for DM&S physicians and dentists generally in excess of the rates now contained in Executive Order 11883; the House agreed to eliminate such rates in favor of the rates established under

the President's five percent alternative plan. The Senate version contained provisions which would have authorized the VA to approve premium pay and special salary rates for DM&S health care personnel in place of the more conservative title 5 provisions now applicable to Government employees generally; the Senate agreed to eliminate such provisions in favor of an in-depth study of the adequacy of the benefits now authorized in this area.

As mentioned earlier, this bill includes provisions for payment of special pay to VA dentists at roughly half the amount authorized for physicians. This provision was not contained in the Administration's proposal, and we are aware that there was an earlier indication from members of your staff to the effect that the inclusion of dentists in a special pay bill could result in a recommendation to the President to veto the entire package. We feel, however, that the enrolled enactment represents a reduced version of what was earlier considered insofar as dentists are concerned, and the circumstances that were present in connection with the consideration of this bill by the Legislative Branch, as well as present-day realities, may warrant a less critical consideration on this issue. For example, the present bill provides only half as much for dentists generally, as will be received by physicians. Furthermore, the special pay increase for VA dentists under this provision is somewhat comparable to the amount of special pay and continuation pay that dentists in the uniformed services receive pursuant to the provisions contained in 37 U.S.C. Therefore, there should be no great argument from Department of Defense dentists that VA dentists are in a more favorable compensation position than they are.

The enrolled bill also reduces application of the incentive pay provision to part-time physicians and dentists employed on a half-time or more basis. This is a more rigid application than that proposed in the original Administration submission. Furthermore, the bill provides for the Chief Medical Director to exclude categories of physicians and dentists where there has been no demonstrated difficulty in

recruitment and retention. Based on current information, the selected categories of physician and dentist hospital directors, distinguished physicians, medical investigators, clinical investigators and research associates, senior physicians, and interns and residents will not be covered. Enclosed for your information is a proposed tentative plan for implementation of the DM&S Physician and Dentist Pay Comparability Act of 1975.

Another factor which must be considered is that the total first fiscal year cost of this bill has been reduced to \$40 million, considerably less than the Administration's proposal. Moreover, the costs of the inclusion of VA dentists amounts to only \$1.8 million of this amount. A more detailed explanation of costs for each of the first five fiscal years is shown in the enclosed chart.

In summary, after considering all of the foregoing, and reviewing the alternatives of not having the type of authority to meet our present recruitment and retention crisis which this bill would provide, I strongly urge that the President approve H.R. 8240.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Roudebush", with a long, sweeping flourish extending to the right.

RICHARD L. ROUDEBUSH
Administrator

Enclosures

COST CHART

Five Year Cost Projection^{1/} for the Veterans Administration Physician and
Dentist Pay Comparability Act of 1975

(Dollars in Thousands)

	<u>FY 76</u>	<u>Transition</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>
Special Pay for Physicians	\$38,032	\$13,411	\$47,559	\$42,803	\$38,523	\$ 2,785
Special Pay for Dentists	<u>\$ 1,786</u>	<u>\$ 627</u>	<u>\$ 1,607</u>	<u>\$ 1,446</u>	<u>\$ 1,301</u>	<u>\$ 64</u>
Subtotal Physicians and Dentists	\$39,818	\$14,038	\$49,166	\$44,249	\$38,824	\$2,849
Nurse Schedule for Physicians' Assistants and expanded Duty Dental Auxiliaries	<u>\$ 300</u>	<u>\$ 79</u>	<u>\$ 550</u>	<u>\$ 670</u>	<u>\$ 670</u>	<u>\$ 670</u>
Total	\$40,118	\$14,117	\$49,716	\$44,919	\$40,494	\$ 3,519

^{1/} Estimates are based on a full-time equivalent employment of 7,692 physicians and 892 dentists in the Department of Medicine and Surgery as projected in the President's budget for fiscal year 1976 (as revised to reflect current operating conditions on September 30, 1975) with adjustments for excluded part-time employees and conversions upward of half-time. The estimates for fiscal year 1977-80 anticipate some turnover (10 percent) of special pay recipients.

PLAN FOR IMPLEMENTATION OF THE VETERANS' ADMINISTRATION
PHYSICIAN AND DENTIST PAY COMPARABILITY ACT OF 1975

Our intention would be to implement the proposed special pay for Department of Medicine and Surgery (DM&S) physicians and dentists in as equitable a manner as possible. The primary emphasis by the VA; however, continues to be the recruitment and retention of highly qualified staff. Thus, we would give due consideration to particular needs for more competitive remuneration and in addition recognize such individual factors as length of service, our need for physicians and dentists practicing in selected scarce specialties, appointment to positions of greater professional responsibilities, appointment to full-time status, and documented continuing education certification.

The legislation requires the exclusion of physicians and dentists who (a) are employed on less than a half-time basis or intermittently, (b) occupy internships or residency positions, or (c) are reemployed annuitants.

In addition, our basic premise would be to limit special pay to those with responsibilities requiring the qualifications of a physician or dentist, who are difficult to recruit and retain, and are essential for patient care purposes. Therefore, special pay will not be authorized for the following: Physician or dentist health care facility Directors (Medical District Directors, Hospitals, Centers, Independent Outpatient Clinics, and Domiciliaries), Distinguished Physicians, Senior Physicians, Medical Investigators, Clinical Investigators, Research Associates, and similar categories. These positions will be reviewed periodically by the Chief Medical Director for determination of entitlement.

We plan to implement the provisions of the bill by granting special pay to each eligible DM&S physician and dentist, who executes a service agreement, based on several components, in an amount not to exceed \$13,500 for physicians and \$6,750 for dentists on an annual full-time basis. Special pay will be prorated for eligible part-time physicians and dentists provided the aggregate of basic and special pay does not exceed \$42,000 per annum for physicians and \$37,000 per annum for dentists. Special pay will consist of the following components:

(1) Maximum amount of special pay to the Chief Medical Director and Deputy Chief Medical Director as prescribed by the Administrator.

(2) Primary special pay of \$5,000 to any eligible full-time physician, or \$2,500 to any eligible full-time dentist.

(3) In addition to the primary special pay, incentive special pay of no more than \$8,500 for eligible full-time physicians and \$4,250 for eligible full-time dentists may be paid in the following per annum amounts to full-time physicians and one-half the per annum amounts to full-time dentists (except that the full amount specified under (A)(iii) may be paid if there is a scarcity of dental specialty).

(A)(i) full-time status, \$2,000, and

(ii) tenure of service within the Department of Medicine and Surgery as follows:

(a) Completion of probationary period or three years whichever is the lesser, \$1,000, or

(b) Completion of seven years, \$2,000; and

(iii) scarcity of medical or dental specialty, \$1,500 or \$750, respectively, must be Board certified in an appropriate specialty and assigned to a selected scarce medical or dental specialty for at least 75% of VA time.* Under unusual circumstances, the Chief Medical Director may allow an amount not to exceed \$2,000.

OR

- (B) professional responsibility as follows:
- (i) Service Chief not in a scarce medical or dental specialty or Associate Chief of Staff \$5,500,
 - (ii) Service Chief in a scarce medical or dental specialty, \$7,000,
 - (iii) Chief of Staff or Executive Grade, \$7,000,
 - (iv) Director Grade or Deputy Service Director, \$7,250,
 - (v) Service Director, \$7,500,
 - (vi) Deputy Assistant Chief Medical Director, \$8,000, or
 - (vii) Associate Deputy Chief Medical Director or Assistant Chief Medical Director, \$8,500;

AND

- (C) continuing education certification, \$500.

(4) The annual rate of special pay shall be offset by the basic pay comparability adjustment as provided in Executive Order 11883 dated October 6, 1975.

*Included are the following medical specialties: anesthesiology, pathology, physiatry (rehabilitation medicine), radiology and those physicians assigned to paraplegic medicine who are certified in an appropriate specialty. Also included are the following dental specialties: prosthodontics, periodontics, and oral surgery.

A written agreement must be entered into by each eligible physician and dentist for the payment of special pay for one year of service; however, if the physician or dentist requests that the agreement be for a longer period, then an agreement may be entered into for up to four years of service and four years for special pay subject to statutory authority.

The agreement will provide that, in the event the physician or dentist voluntarily or because of misconduct fails to complete the first year of service pursuant to such agreement, he/she shall be required to refund the total amount received unless the Chief Medical Director, pursuant to regulations, determines that such failure is necessitated by circumstances beyond the control of the physician or dentist.

Those eligible physicians or dentists on duty on or before October 12, 1975, will have 45 days after the date of enactment in which to enter into an agreement for service and will be entitled special pay retroactive to October 12, 1975. Those who become employed in the Department after October 12, 1975, or during the 45-day period beginning on the date of enactment, and enter into an agreement before the close of the 45-day period are entitled to special pay beginning on the first day of duty. Any eligible physician or dentist who signs an agreement after the close of the 45-day period, including those newly recruited as well as previously employed, is entitled to special pay beginning on the date on which the agreement is entered into or the first day of employment, whichever is later. (See Appendix A for Agreement format.)

The special pay would be paid on a pay period basis by applying a formula similar to that used for determining basic salary and it would not be considered basic pay for retirement, life insurance, work injury compensation, severance pay, accrued leave benefits under Title 5 United States Code, or for purposes of any other benefits related to basic pay.

With respect to VA physicians or dentists who are in receipt of full retirement pay from the uniformed service, the special pay would be reduced by an appropriate amount. This amount would be comparable to the reduction in the retired pay otherwise required in the absence of an exception to dual compensation provisions.

The Administrator will approve special pay for the Chief Medical Director and Deputy Chief Medical Director. Authority to approve special pay for all other physicians and dentists will be delegated to the Chief Medical Director.

VA will submit the required report each year to the Congress regarding the operation of the special pay program. DM&S welcomes the opportunity to cooperate with the Comptroller General and the Director of the Office of Management and Budget in the conduct of a comprehensive investigation and analysis of recruitment and retention problems of physicians and dentists and other health care personnel.

Appropriate changes to regulations relative to the conversion of physicians' assistants and expanded-duty dental auxiliaries from appointments under Title 5 to Title 38 is in process. In addition, an issuance authorizing compensatory time off in lieu of overtime pay for nurses, based on written requests, will be prepared.

AGREEMENT

To Receive Special Payment Under the
Veterans' Administration Physician and Dentist Pay
Comparability Act of 1975

In consideration of payments for which I qualify under P.L. 94-_____,
as implemented by Regulations issued by the Administrator of Veterans
Affairs, I hereby agree:

1. To remain in the service of the Department of Medicine and
Surgery of the Veterans Administration for _____ years
(specify number)

beginning _____, however, acceptance of this
(month-day-year)

agreement by the Veterans Administration does not constitute an
obligation to retain or continue my services for the period of this
agreement.

2. That in the event I voluntarily or because of misconduct fail
to complete the agreed period of service, I will refund the amount
required by statute, unless the Chief Medical Director, pursuant
to prescribed regulations, determines that my failure to complete
my agreed period of service is due to circumstances beyond my
control and acceptable to the VA. It is further agreed that any
amount which I am obligated to refund will be considered by me, my
estate, or personal representative, as a debt due to the United
States, which I hereby agree to pay in full as directed by the
Veterans Administration.

3. That my entitlement to special payments under this agreement
will terminate when any of the following circumstances occur:

- a. Cessation of employment with the Department of Medicine and Surgery for any reason (such as resignation, retirement, separation for disability or by death, removal for cause, reduction in force, etc.).
- b. Assignment to an excluded category (see listing of "excluded" categories in current directive.)
- c. Expiration of statutory authority to effect payment (lapse of statute or enactment of superseding law).

4. That it is understood that in the event I voluntarily, or because of misconduct, fail to complete my first year of service pursuant to this agreement, I shall be requested to refund the total amount of special payments received under this agreement, unless the Chief Medical Director, pursuant to prescribed regulations, determines that my failure to complete my first year of service is due to circumstances beyond my control. Examples of such circumstances include: semi-permanent or permanent serious illness, or death, not due to my misconduct, and compelling personal reasons which are beyond my control and which are acceptable to the Veterans Administration.

5. That this agreement shall be effective when accepted by the Chief Medical Director or his designee, provided; however, that my entitlement to special payments under the Veterans' Administration Physician and Dentist Pay Comparability Act of 1975 shall commence, if I am otherwise eligible:

(1) on October 12, 1975, if I shall have been in the employment of the Department of Medicine and Surgery on such date, and shall have signed this agreement within a 45-day period beginning on the date of enactment of this Act; or

(2) with the date of my entry on duty, if I shall have been employed in the Department of Medicine and Surgery after October 12, 1975, and have signed this agreement within a 45-day period beginning on the date of enactment of this Act; or

(3) on the date of my employment or the date of my signing of this agreement, whichever is later, if I shall not have signed this agreement within the 45-day period beginning on the date of enactment of this Act.

6. That any future increase in pay related to cost of living adjustment shall not affect the amount of special pay due me under the Veterans' Administration Physician and Dentist Pay Comparability Act of 1975; however, any statutory revision of the then existing Title 38 basic pay schedule will result in an appropriate adjustment (offset) of the special payments I subsequently receive under this agreement.

Signature of Physician or Dentist

Date

Acceptance by Facility Director _____

Signature

Date



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OCT 16 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for a report on H.R. 8240, an enrolled bill "To amend title 38, United States Code, to provide special pay and incentive pay for certain physicians and dentists employed by the Department of Medicine and Surgery of the Veterans' Administration in order to enhance the recruitment and retention of such personnel, and for other purposes."

The enrolled bill would provide for increased pay for doctors and dentists in the Veterans' Administration. The provisions of the bill would have no effect on the programs of this Department. We therefore defer to the recommendations of the Administrator of Veterans' Affairs concerning the bill's merits.

Sincerely,


Secretary

RECEIVED
OCT 16 1975

To
Cavanaugh
10/17



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 16 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 8240 - Veterans' Administration
Physician and Dentist Pay Comparability Act of
1975
Sponsor - Rep. Satterfield (D) Virginia and
24 others

Last Day for Action

October 22, 1975 - Wednesday

Purpose

Authorizes special pay bonuses to Veterans Administration
physicians and dentists to assist the agency in recruiting
and retaining such personnel.

Agency Recommendations

Office of Management and Budget	Approval
Veterans Administration	Approval
Department of Defense	Defers to VA (Informally)
Department of Health, Education, and Welfare	Defers to VA
Civil Service Commission	Disapproval (Veto message attached)

Discussion

H.R. 8240 would provide temporary authority for the
Veterans Administration to pay VA physicians and dentists
special pay in addition to their basic salaries for the
purpose of improving the agency's recruitment and retention
efforts. The bill is similar in purpose to P.L. 93-274,
which authorized temporary bonus pay for physicians (but
not dentists) in the Armed Services and the Public Health
Service Commissioned Corps. It is designed to put VA

physicians and dentists on a comparable salary level with uniformed physicians and dentists. H.R. 8240 also would provide for increases in the pay schedules of VA physician assistants and dental auxiliaries and would mandate studies of the medical personnel pay problem in the Federal Government.

The bill was approved by a 382-3 vote in the House and by a 79-6 vote in the Senate.

Background

The enrolled bill resulted from a study of patient care in veterans' hospitals conducted by VA in 1974 at the request of President Nixon. That study concluded that the most critical problem confronting the VA medical system was the recruitment and retention of an adequate staff of qualified personnel and that the single greatest barrier was the inadequacy of salaries. The VA medical personnel pay problem is due in considerable measure to the freeze on executive pay levels in recent years. It was compounded last year by the authorization in P.L. 93-274 of bonuses to military and PHS physicians. The effect of that law was to place VA doctors at a comparative disadvantage relative to uniformed Federal doctors.

To ameliorate this problem, the Administration submitted draft legislation on May 29, 1975 which would have authorized a temporary one-year bonus program for VA physicians comparable to that of DOD and PHS. The VA bonus authority was proposed to run from July 1, 1975 to June 30, 1976, the same period as P.L. 93-274, with a view toward evaluating the results as part of an overall analysis of the physician recruitment, retention and pay situation throughout the Federal Government. At the direction of OMB, an interagency task force was formed on September 4, 1975 to analyze the compensation and personnel systems for physicians and other Federal health professionals and to consider alternatives to an extension of the bonus for physicians and/or its use for other health professionals. The task force, chaired by the Civil Service Commission (CSC) and with members from OMB, VA, HEW and DOD, has been requested to submit its recommendations by December 1, 1975 so that they may be considered in connection with the preparation of the 1977 budget.

Description of the enrolled bill

Physician and Dentist Bonus. H.R. 8240 would authorize VA to pay a bonus to physicians of up to \$13,500 annually--the same as the maximum payable to uniformed doctors--in

return for an agreement from the recipient to serve in VA for a term of from one to four years. VA's authority to make such agreements would take effect on October 12, 1975 and would expire on October 11, 1976. All eligible VA physicians would receive a base bonus payment of \$5,000 and an additional variable amount of up to \$8,500 depending on length of service, specialty, professional responsibility, and other criteria identified in the bill. Eligible dentists would receive half the bonus paid to doctors--a base payment of \$2,500 and a variable amount of up to \$4,250. Persons working less than half-time would not be eligible.

The primary difference between H.R. 8240 and the Administration proposal is the authorization of a bonus for dentists in the enrolled bill. The Administration proposal would have limited the bonus payment to physicians only since VA recruitment or retention problems did not support a need for bonuses in the case of VA dentists. Moreover, the Congress explicitly excluded dentists in enacting the military bonus bill last year. There has been no shortage of Government dentists and CSC has closed the register to new applicants a number of times in the last 3 years. It should be noted, however, that although DOD and PHS dentists do not receive "bonus" pay, they have been eligible for many years for similar forms of incentive pay, i.e., monthly special pay and annual continuation pay which result in pay levels in their case considerably above those of VA dentists.

Under the enrolled bill, VA would be able to exclude certain categories of physicians and dentists from eligibility for the bonus payment where there is no significant recruitment or retention problem. However, VA would have no discretion to discriminate between physicians and dentists, but would be required to apply the exclusion equally to both groups, regardless of differences in recruitment or retention factors. Certain categories of personnel, e.g., residents and interns, would be excluded by law.

H.R. 8240 also contains a pay-back provision which would require any VA physician or dentist who fails to complete one year of service to refund all of the bonus payment for that year. There would not be any pay-back penalty for failure to complete the term of the agreement, provided that at least one year of service was completed. This provision differs from that for DOD and PHS physicians who must repay substantial amounts of the bonus whenever their contracts are broken.

Other Provisions. H.R. 8240 contains other provisions that would modify and increase benefits for VA medical personnel. These provisions would:

-- revise the physician and dentist basic pay schedule to reflect the recent 5% Federal pay adjustment,

-- transfer the salary authorizations for VA's top medical officials from title 5 to title 38 and establish new maximum salary levels for those three officials,

-- remove the prohibition on compensatory time off for VA registered nurses, and

-- provide for higher rates of pay for physicians' assistants and expanded-duty dental auxiliaries by transferring them from the Civil Service General Schedule pay system to the higher VA pay system for nurses.

In addition, H.R. 8240 would require OMB and GAO each to submit by August 31, 1976 separate reports on the recruitment, retention and pay comparability problems of physicians and dentists in VA and other Federal departments and agencies. GAO would also be required to submit a second report to the Congress by March 1, 1977 on the recruitment, retention and pay comparability problems of health care personnel other than physicians and dentists. The enrolled bill also would require the VA Administrator to report annually to the Congress on the operation of the special pay program.

Budget Impact

Enactment of H.R. 8240, with an effective date of October 12, 1975, would result in a nine-month fiscal year 1976 cost of \$40 million, and a transition quarter cost of \$14 million. While the authority to enter into bonus contracts would expire in one year, the four-year service agreements would result in an estimated five-year cost of \$193 million through fiscal year 1980.

The one-year cost of the Administration's bill was estimated at \$63 million compared to a full first-year cost of H.R. 8240 of \$54 million. The higher estimate for the Administration's bill is due to provisions that would have awarded special pay to all part-time VA physicians on a proportional basis, and to the different weighting of special pay factors. The inclusion of dentists in H.R. 8240

impacts only slightly on the total cost of the enrolled bill, with a first-year estimated cost of \$2.4 million.

Financing the implementation of H.R. 8240 will have to be determined in the context of our current review of fiscal year 1976 and 1977 actions necessary to support your 1977 budget goals. We have not yet determined whether an appropriation for this bill should be sought, or whether the agency should be required to absorb the bill's cost, should you approve H.R. 8240.

Arguments in Favor of Approval

1. The proposed \$13,500 maximum special pay for VA physicians would make their total compensation comparable to that of uniformed service physicians. The special pay provision for physicians is nearly identical to that proposed by the Administration and would allow VA to better compete with DOD and PHS for the services of physicians in order to alleviate an acknowledged critical recruitment and retention problem.

2. H.R. 8240 is also consistent with the Administration proposal in that it would provide a one-year authority only for VA to enter into contracts. It also recognizes the need for further consideration of the broader issue of medical personnel pay in all Federal agencies by its requirements for studies of this issue.

3. The proposed \$6,750 maximum special pay for VA dentists would make VA dental pay more comparable with the pay currently received by uniformed service dentists, who now receive special pay and continuation pay.

4. The estimated cost of H.R. 8240 is lower than the cost projected for the Administration's proposal, despite the inclusion of dentists in H.R. 8240. The costs of the dental provisions are a relatively small part of the overall cost of the measure.

Arguments Against Approval

1. H.R. 8240 would unjustifiably authorize payments of special pay to VA dentists, despite testimony by VA that the recruitment and retention of dentists is not a major problem. Continuation and special pay for uniformed dentists have existed for many years without constituting any demonstrable problem for VA.

2. Since the Congress specifically excluded DOD and PHS dentists from the bonus provisions of P.L. 93-274, the enrolled bill would be the first to include dentists in "bonus" type legislation. As CSC points out in its views letter, extension of the bonus to VA dentists would more deeply ingrain the bonus approach and would make the task of reaching a permanent solution to the government-wide medical personnel problem much more difficult.

3. Extension of special pay to VA dentists could establish a precedent for payment of a bonus to dentists in other Federal agencies and to other health personnel as well. Just as P.L. 93-274 generated pressure for extension of the physician pay bonus to other than DOD and PHS physicians, enactment of H.R. 8240 could generate pressure to extend the special VA dentist pay provisions to DOD and PHS dentists (who now regard continuation and monthly special pay as part of their basic salary), as well as to other health personnel such as nurses.

4. CSC believes that removal of physicians' assistants and expanded-duty dental auxiliaries from the GS pay system to the higher pay system for VA nurses would create inequities in relation to other Federal employees and would constitute an objectionable piecemeal approach to a pay problem that must be dealt with in a comprehensive manner.

Recommendations

VA strongly urges approval of H.R. 8240. VA believes that the enrolled bill represents a considerable compromise by the Congress which earlier had under consideration a much more objectionable and costly bill than H.R. 8240. With respect to the dentist bonus, VA believes that the Congress made substantial concessions in H.R. 8240, e.g., limiting the dentist bonus to half the amount received by physicians.

CSC acknowledges that VA has a serious problem in recruiting and retaining physicians and agrees that a temporary bonus for physicians is needed at this time. However, CSC strongly objects to providing a bonus to dentists and recommends that H.R. 8240 be disapproved. In its views letter, CSC states "...we can see no justification for extending a temporary and expedient solution to the shortage of physicians to cover dentists as well, despite the lack of any shortage, or recruitment or retention problem, in that occupation."

* * * * *

We continue to believe that providing a bonus for VA dentists is unjustified in terms of need and that it could set in motion pressures to provide similar bonuses for dentists in other Federal agencies and for other groups of health personnel. On the other hand, the key provisions of H.R. 8240 address VA's immediate physician recruitment and retention problem in a manner consistent with the Administration proposal submitted to the Congress earlier this year.

As VA indicates, the enrolled bill is a product of considerable compromise between the House and Senate Veterans Affairs Committees. It had practically no opposition on the floor of either House and does not raise a budgetary issue. It is also viewed by many as a necessary measure for improving patient care in the VA medical system. For these reasons, we join VA in recommending approval of the bill, despite our strong misgivings about its inclusion of dentists.

(Signed) James T. Lynn

James T. Lynn
Director

Attachments

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 654

Date: October 17

Time: noon

FOR ACTION: Dick Parsons
David Lissy *ML*
Max Friedersdorf *ML*
Ken Lazarus *ML*
NSC ML

cc (for information): Jack Marsh
Jim Cavanaugh
Warren Hendrick

FROM THE STAFF SECRETARY

DUE: Date: Monday, October 21

Time: noon

SUBJECT:

H.R. 8240 - Veterans' Administration Physician and
Dentist Pay Comparability Act of 1975

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 654

Date: October 17

Time: noon

FOR ACTION: Dick Parsons
David Lissy
Max Friedersdorf
Ken Lazarus

cc (for information): Jack Marsh
Jim Cavanaugh
Warren Hendriks

FROM THE STAFF SECRETARY

DUE: Date: Monday, October 20

Time: noon

SUBJECT:

H.R. 8240 - Veterans' Administration Physician and
Dentist Pay Comparability Act of 1975

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection -- Ken Lazarus 10/17/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 654

Date: October 17

Time: noon

FOR ACTION: Dick Parsons
David Lissy
Max Friedersdorf
Ken Lazarus

cc (for information): Jack Marsh
Jim Cavanaugh
Warren Hendriks

FROM THE STAFF SECRETARY

DUE: Date: Monday, October 20

Time: noon

SUBJECT:

H.R. 8240 - Veterans' Administration Physician and
Dentist Pay COMparability Act of 1975

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Recommend approved
9-1-75
No problem.
RB

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 654

Date: October 17

Time: noon

FOR ACTION: Dick Parsons
David Lissy
Max Friedersdorf
Ken Lazarus

cc (for information): Jack Marsh
Jim Cavanaugh
Warren Hendriks

FROM THE STAFF SECRETARY

DUE: Date: Monday, October 20

Time: noon

SUBJECT:

H.R. 8240 - Veterans' Administration Physician and
Dentist Pay Comparability Act of 1975

ACTION REQUESTED:

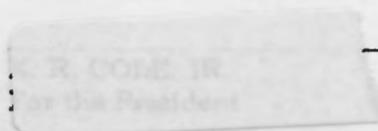
- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.



Date: October 17

Time: noon

FOR ACTION: Dick Parsons
David Lissy ✓
Max Friedersdorf
Ken Lazarus

cc (for information): Jack Marsh
Jim Cavanaugh
Warren Hendriks

FROM THE STAFF SECRETARY

DUE: Date: Monday, October 20

Time: noon

SUBJECT:

H.R. 8240 - Veterans' Administration Physician and
Dentist Pay Comparability Act of 1975

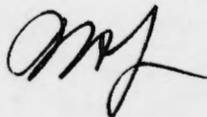
ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

The CSC concern, while legitimate, is not of sufficient consequence to justify a veto. The key provisions are of considerable importance and are consistent with the Administration's interests. I recommend signature.



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

THE WHITE HOUSE

WASHINGTON

October 20, 1975

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M-L*
SUBJECT: H. R. 8240 - Veterans' Administration Physician
and Dentist Pay Comparability Act of 1975

The Office of Legislative Affairs concurs with the agencies
that the subject bill be signed.

Attachments

MEMORANDUM

6965

NATIONAL SECURITY COUNCIL

October 20, 1975

MEMORANDUM FOR: JAMES CAVANAUGH

FROM: Jeanne W. Davis 

SUBJECT: H. R. 8240

The NSC Staff concurs in H. R. 8240 - Veterans' Administration
Physician and Dentist Pay Comparability Act of 1975.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: 10-21-75

TO: Bob Linder

FROM: Jim Frey

Attached is the Defense views
letter on H.R. 8240 for inclu-
sion in the enrolled bill file.
Also attached is the Conference
Report on H.R. 8561 for that
file.

Tom Jones

OMB FORM 38
REV AUG 73



GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE

WASHINGTON, D. C. 20301

16 October 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

Reference is made to your request for the views of the Department of Defense with respect to the Enrolled Enactment H. R. 8240, an Act "To amend title 38, United States Code, to provide special pay and incentive pay for certain physicians and dentists employed by the Department of Medicine and Surgery of the Veterans' Administration in order to enhance the recruitment and retention of such personnel, and for other purposes."

The purpose of this legislation is to enhance the recruitment and retention of physicians and dentists in the Veterans' Administration through increased pay incentives.

The bill first provides for an increase in the Physician and Dentist Schedule for basic pay subject to some limitations under the Executive Schedule rates. Additionally, it authorizes special pay of up to \$13,500 per year for certain physicians and up to \$6,750 per year for certain dentists. This special pay is divided into two categories. First, primary special pay of \$5,000 for eligible physicians and \$2,500 to eligible dentists is paid at a fixed rate. The second is incentive special pay of up to \$8,500 for eligible physicians and \$4,250 for eligible dentists. The incentive special pay begins at \$1,000 minimum and is graduated with experience and rank to \$8,500 annually. Part time physicians and dentists may be paid a proportional amount of both primary and incentive special pay. Physicians and dentists who are employed less than half time, or occupy an intern or residency training position, or is a reemployed annuitant are not eligible to participate in the program. Physicians and dentists serving in positions where no significant retention or recruitment problem exist may also be denied the special pay under appropriate regulations.

This legislation is designed to provide pay comparability for Veterans' Administration physicians and dentists with the Uniformed Services of the Public Health Service and the Department of Defense. The basic pay increase, plus the special pay incentives very adequately accomplish parity with the other Departments.

Because of the limited impact of this measure on the Department of Defense, we defer to the views of the Veterans' Administration on H. R. 8240.

Sincerely,

A handwritten signature in cursive script, appearing to read "L. Niederlehner".

L. Niederlehner
Acting General Counsel

TO THE HOUSE OF REPRESENTATIVES

I am returning to the Congress without my approval H.R. 8240, a bill "To amend title 38, United States Code, to provide special pay and incentive pay for certain physicians and dentists employed by the Department of Medicine and Surgery of the Veterans' Administration in order to enhance the recruitment and retention of such personnel, and for other purposes."

This bill would establish, as a temporary measure, a system of bonuses which would enable the Veterans' Administration to deal effectively with the severe problems it has faced in the recruitment and retention of physicians for its hospital system. I am in complete agreement with the need for this physicians' bonus.

Our Nation must be concerned with maintaining the quality of medical care that is provided to its veterans, and the severe pay compression problems among the Government's executive and professional workforce have seriously hindered the Veterans' Administration's efforts to provide the best possible care.

While I do therefore, support the basic purpose of H.R. 8240, I cannot accept certain other provisions of this bill.

The most important of these unacceptable provisions is the inclusion of dentists in the bonus system. The bonus for Veterans' Administration physicians in H.R. 8240, like the bonus provided for uniformed services

physicians under Public Law 93-274, is clearly a temporary expedient, enabling the Government to meet its health care commitments while we search for a more permanent solution to the problems of pay-setting for health care employees. The justification for this temporary expedient is clearly the urgent need for some way to handle the severe recruitment and retention problems affecting physicians. There are no such recruitment or retention problems in the employment of dentists, and including that occupation under this bonus system would be unnecessary and costly.

I must also object to the removal of physicians' assistants and expanded-duty dental auxiliaries from the Government-wide General Schedule pay system and the placement of these employees under the pay system for Veterans' Administration nurses. While this provision is an effort to deal with certain existing problems, it would, in my opinion, create even greater problems and inequities in relation to other Federal employees. This sort of piecemeal fragmentation of the General Schedule cannot be viewed as an acceptable method of dealing with the pay problems of our Federal health care employees.

I urge the Congress to act as quickly as possible to return this bill to me with these objectionable provisions removed.

THE WHITE HOUSE

VETERANS' ADMINISTRATION PHYSICIANS AND DENTISTS COMPARABILITY PAY ACT OF 1975

JULY 9, 1975.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. ROBERTS, from the Committee on Veterans' Affairs, submitted the
following

R E P O R T

[To accompany H.R. 8240]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 8240), to amend title 38, United States Code, to provide special pay and incentive pay for certain physicians and dentists employed by the Department of Medicine and Surgery of the Veterans' Administration in order to enhance the recruitment and retention of such personnel, and for other purposes, having considered the same, by unanimous voice vote, without amendment, report favorably thereon and recommend that the bill do pass.

INTRODUCTION

On March 31, 1974, President Nixon made a nationwide radio broadcast on veterans' affairs. In commenting on the status of the Veterans Administration hospital system, the President stated:

While there are continuing improvements in the quality of medical care in our veterans' hospitals, we must also continue our efforts to insure that all patients receive full treatment and that the most efficient use is made of their excellent facilities. We should spend whatever money is necessary so that the quality of care in these hospitals will be second to none. To investigate the quality of that care I have directed a thorough investigation of the conditions of our veterans' hospitals and clinics, including a personal tour of some of those facilities.

As a result of the presidential directive, a survey was conducted under the direction of the Chief Medical Director in 32 hospitals and one clinic during the period of April 17–May 23, 1974. This survey represented an on-site inspection and review of the problem areas of approximately 20 percent of the major Veterans Administration health

facilities. Each multidisciplinary survey team was composed of skilled professionals and experienced medical program administrators. Each team was chaired by a person selected for his or her high academic and professional credentials, and who was without an employee relationship to the Veterans Administration. Each team was supplemented in the fields of psychiatry, spinal cord injury, and other specialties. Selected administrative personnel were also added to each team to review Building Management, Medical Administration, Engineering, and related functions.

The report of the Chief Medical Director's findings was transmitted to the President on July 31, 1974, and after review by the President, the findings of the Chief Medical Director were made public on October 26, 1974 (House Committee Print No. 163, 93d Congress, 2d Session).

The number one priority recommendation contained in the Quality Care Study requiring legislative action was the need for increased salaries for physicians, dentists, and other title 38 professional medical personnel. In its recommended priorities for action the report stated:

We recommend that legislative action be sought in the current session of the Congress to obtain incentive pay for physicians, dentists, and nurses. Such actions are critically important because the pay raise anticipated in October, 1974, will have no benefit for 1,850 physicians and dentists and an additional 835 will not be able to realize the full percentage increase of the raise due to the \$36,000 per annum salary restriction. If improved remuneration is not forthcoming in the next few months, we are convinced that the VA's ability to recruit well-qualified physicians will be seriously impaired and there will be an acceleration of resignations and conversions to part-time employment for economic reasons.

Further on in the report the Task Force concluded:

Financial considerations are the major impediment to achieving sustained, satisfactory levels of recruitment and retention of physicians, dentists, nurses, licensed practical nurses, and nursing assistants. Furthermore, available evidence strongly suggests current problems will increase rapidly in the near future unless actions are forthcoming soon to improve remuneration.

A recent survey conducted by the Committee on Veterans' Affairs indicated that of the approximately 5,500 full-time physicians presently employed by the Department of Medicine and Surgery, 40 percent are affected by the \$36,000 salary limitation and cannot expect any increases whatsoever in the near future. As a result, many highly trained physicians are leaving the Veterans' Administration for more lucrative offers from the private sector. The questionnaire survey is one of the methods used by the Committee in evaluating quality of care received by veterans in VA facilities and determining deficiencies that may exist within the system.

As a result of the findings and recommendations of the Quality Care Study, H.R. 17593 was introduced December 9, 1974 by the distinguished Chairman of the Subcommittee on Hospitals, the Honorable David E. Satterfield, and several other members of the full Commit-

tee, to establish the per annum full-pay scale for certain personnel of the Department of Medicine and Surgery of the Veterans' Administration to help with the recruitment and retention of full-time physicians and dentists. Hearings could not be scheduled prior to sine die adjournment.

Recognizing the critical nature of the situation, on January 16, 1975, the Chairman of the Subcommittee introduced H.R. 1545 (identical to H.R. 17593) for himself and other members of the Committee. The Subcommittee held hearings on H.R. 1545, and related bills, on April 28, 29, 30 and May 31, 1975. Witnesses included:

Dr. John D. Chase, Chief Medical Director, Veterans Administration,

Dr. William E. Spencer, Chairman, Special Medical Advisory Group, and Director of Texas Rehabilitation and Research, Houston, Tex.,

Dr. Russell B. Roth, Immediate Past President of American Medical Association.

Dr. Robert Lee Van Citters, Dean, School of Medicine, Washington State University, Seattle, Wash.,

Dr. Richard V. Ebert, Chairman, Department of Medicine, Minneapolis Medical School, University of Minnesota,

Dr. Kenneth L. Becker, Chief of Metabolism, VA Hospital, Washington, D.C., Professor of Medicine, George Washington University Hospital,

Dr. Lawrence Widerlite, Gastroenterologist, VA Hospital, Washington, D.C., Assistant Professor of Medicine, Georgetown University,

Dr. Herbert G. Rose, Associate Chief of Staff for Medical Research, Bronx VA Hospital, Associate Professor of Medicine, Mount Sinai School of Medicine,

Dr. Louis J. Loscalzo, Chief, Oral Surgery Section, Dental Service, VA Hospital, Bronx, N.Y.,

Charles L. Huber, National Director of Legislation, Disabled American Veterans,

Mr. John V. Sheehan, Director, VA Hospital, Boston, Mass.,

Dr. Thomas C. Chalmers, President, Mount Sinai Medical Center and Dean of Mount Sinai School of Medicine, City University of New York,

Hugh E. Davis, Director, Veterans Administration Hospital, Salem, Va.,

Louis M. Frazier, Jr., Director, VA Hospital, Shreveport, La.,

Dr. James E. Baker, Director, VA Hospital, Brockton, Mass.,

Dr. Robert T. Cauthorne, Chief of Medicine, VA Center, Cheyenne, Wyo.,

Dr. George A. Higgins, Jr., Chief of Surgical Service, VA Hospital, Washington, D.C.,

Francis W. Stover, National Legislative Director, Veterans of Foreign Wars,

John L. Horgan, Legislative Director, AMVETS,

Larry M. Ross, Ph. D., Deputy Executive Director, Paralyzed Veterans of America, and

Timothy Craig, Immediate Past President, National Association of Concerned Veterans.

Testimony and statements were also received from Members of Congress, and other individuals representing various organizations.

On June 25th the Subcommittee on Hospitals recommended H.R. 8240 to the full Committee for its consideration. The full Committee, in executive session on July 9, 1975, unanimously approved by voice vote and ordered the bill favorably reported.

JURISDICTION

The Chairman of the Committee on Post Office and Civil Service has informed the Committee that the reported bill does not conflict with the jurisdiction of the Committee on Post Office and Civil Service. The Committee received the following letters in answer to inquiries by the Committee on Veterans' Affairs:

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., June 9, 1975.

HON. RAY ROBERTS,
Chairman, Veterans' Affairs Committee,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I have your letter of June 9, 1975, requesting my comments on a provision in a draft of legislation now being considered by your Committee which will transfer the positions of Chief Medical Director and Deputy Chief Medical Director from the Executive Salary Schedule provision of title 5, U.S.C., and add them to the provisions of title 38, U.S.C., relating to other provisions of physicians in the Veterans Administration.

I note from the draft that the rate of pay for these positions would still be limited to the comparable rates for levels III and IV of the Executive Schedule in which these positions are now placed. There are a few other top level positions, such as the top level positions in the Foreign Service, which are not actually listed under the provisions of title 5 relating to the Executive Salary Schedule.

While I have not had an opportunity to consult with the other Members of the Committee, I feel sure they will not object to placing these two positions under title 38 so long as the pay relationship is maintained.

Sincerely,

DAVID N. HENDERSON, *Chairman.*

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., June 18, 1975.

HON. RAY ROBERTS,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I have your letter of June 18, 1975, with further reference to the legislation being considered by your Subcommittee on Hospitals. You state that the legislation proposes to provide special pay and incentive pay for certain physicians and dentists of the Veterans Administration and that such special pay is patterned on the special pay granted last year for the military and Public Health Service doctors under Public Law 93-274.

I see no conflict with the jurisdiction of our Committee should your Committee decide to consider such a proposal.

It is true that general legislation affecting the top executives of the Legislative, Judicial, and Executive branches has been considered as being within the jurisdiction of our Committee. It is true that under the new rules of the House the jurisdiction of any legislation affecting government employees generally is considered as being within the jurisdiction of our Committee.

I recognize that the failure of Congress to remove the \$36,000 pay ceiling has had a tremendous impact on the ability of the Executive branch to obtain professional people in most categories particularly in the medical field.

The Members of our Committee have no particular knowledge of the highly technical matter relating to Veterans Administration doctors.

In view of the unusual circumstances involved, I want to assure you that I would raise no jurisdiction problem with your Committee in the event the Veterans' Affairs Committee decides to give favorable consideration to the legislation involved.

With kind regards,
Sincerely,

DAVID N. HENDERSON, *Chairman.*

BACKGROUND

Nationwide shortages of health manpower have been documented and analyzed for over 30 years. As recently as 1969, the Federal Government indicated that the United States needed an additional 50,000 physicians, 200,000 nurses, and almost 150,000 technicians. These shortages of physicians are seriously aggravated by the Nation's continued and increasing reliance on graduates of foreign medical schools to provide health care in the United States.

The number of Foreign Medical Graduates entering the United States has increased markedly during the last 14 years. According to the Congressional Research Service of the Library of Congress, in 1959 Foreign Medical Graduates comprised less than 6 percent of all physicians in the United States. By 1963, that percentage had increased to 10.7 percent. Today it is 20 percent. Recent Department of Health, Education, and Welfare projections indicate that by 1990 the proportion of Foreign Medical Graduates practicing medicine in the United States could be as high as 30 percent.

In his testimony before the Committee during hearings on the reported bill, Dr. John D. Chase, Chief Medical Director of the Veterans Administration, submitted data showing that in 1972 the Agency employed 5,071 full-time physicians. Of this total, 1,338 (26.7 percent) were Foreign Medical Graduates. Two years later, 1974, of 5,254 full-time physicians employed by the Veterans Administration, 1,643 (31.3 percent) were Foreign Medical Graduates. In other words, the percentage of Foreign Medical Graduates in VA hospitals today is already above the national average projected for 1990.

According to Dr. Chase, of all the problems in the area of patient care, the gravest threat to VA's ability to deliver the quality of care expected of the Agency is the inability of the Agency to offer competitive salaries to its physicians. The following table shows the Department of Medicine and Surgery physician terminations and recruitment losses resulting from inadequate salaries for the period of July 1, 1974 through March 31, 1975:

TABLE 1.—D.M. & S. PHYSICIAN TERMINATIONS AND RECRUITMENT LOSSES RESULTING FROM INADEQUATE SALARIES, JULY 1, 1974 THROUGH MAR. 31, 1975

	Total number	Diplomate status		Average Salary		Speciality								
		Average age	Boarded	Not boarded	VA	Minimum required	Difference	Medicine	Surgery	Psych-i-ology	Neu-ology	Radi-ology	Path-ology	Other
1. Full-time physicians terminating VA employment.....	279	42	139	140	31,437	44,085	12,648	121	48	45	7	27	18	13
2. Full-time physicians converting to part-time.....	153	41	94	59	33,370	47,134	13,764	50	24	42	6	12	7	12
3. Non-VA physicians rejecting bona fide offer of full-time employment.....	442	38	276	146	31,455	44,243	12,788	158	70	74	14	60	19	27
4. New appointments to part-time status who rejected full-time positions.....	294	40	171	123	29,721	45,102	15,381	77	106	55	21	11	12	12

1. Full-time physicians terminating VA employment.....
2. Full-time physicians converting to part-time.....
3. Non-VA physicians rejecting bona fide offer of full-time employment.....
4. New appointments to part-time status who rejected full-time positions.....

While retention of physicians in the Veterans Administration Hospital system has already reached a crisis stage, as shown by the previous chart, recruitment to fill vacancies has continued to deteriorate at an alarming rate.

The following table indicates declinations on bona fide offers of physicians for the Veterans Administration Hospital system for the period of January 1, 1974, through December 31, 1974:

DECLINATION OF BONA FIDE OFFERS, JAN. 1-DEC. 31, 1974

	Total number	Reason for declination			Percent rejection because salary too low
		Salary too low	Other known reasons	Reasons unknown	
Hospital:					
Psychiatric.....	152	88	47	17	57.9
D.M. & S.....	1,043	698	208	137	66.9
Total.....	1,195	786	255	154	65.8
Domichriery.....	0	0	0	0	0
Outpatient clinics.....	14	8	3	3	57.1
Systemwide.....	1,209	794	258	157	65.7

THE UNIFORMED SERVICES: DEFENSE DEPARTMENT AND PUBLIC HEALTH SERVICE

With the ending of the physician draft in the armed services, the uniformed services were faced with a critical shortage of physicians. A major cause of the difficulty had been the disparity between the income of the military physician or dentist and his civilian counterpart. To meet this urgent situation legislation was passed by the House late in 1972 (H.R. 16924, 92d Congress), at the request of the Department of Defense, but was not acted upon by the Senate.

The 93d Congress completed action on this legislation in April 1974, and on May 6, 1974, the President signed it into law. As enacted, Public Law 93-274 provided for monthly special pay for physicians and for dentists in both the Department of Defense and in the Public Health Service. Special pay remained at \$100 for the first two years of service and was increased to \$350 per month after two years. At the time the bill was passed a \$350 level was not reached until after the tenth year of service for physicians and dentists. In addition, physicians in the uniformed services of the Department of Defense and the Public Health Service became entitled to special incentive pay, commonly referred to as V.I.P. (Variable Incentive Pay), of up to \$13,500 per annum upon execution of a written agreement to complete a specified number of years of continuous active duty.

Thus, under this act, Uniformed and Public Health Service physicians have total pay ranging from \$28,070 to \$55,594, depending on grade, length of service and the length of their contract commitment to their respective Services.

With the enactment of this legislation, the physicians employed in the VA Department of Medicine and Surgery no longer have pay comparability with physicians in the two other major Federal health-care-providing agencies.

SALARIES OF VA PHYSICIANS AND DENTISTS

A comparison of the incomes of VA physicians, uniformed services physicians, and non-Federal physicians, shows that the current \$36,000 salary ceiling on VA physicians and dentists is substantially lower than the top salary in the other two categories.

Data regarding average net income for physicians in the United States compiled by the Congressional Research Service (appearing later in this report) show that the average net income for non-Federal physicians is \$49,415; for physicians in group practice about \$52,000; in strict full-time academic medicine, \$37,600; in academic geographic full-time medicine, \$38,650; in military medicine, \$37,355 and in the VA, \$31,000.

This same data indicated that top salaries for physicians in the United States show that 57.4 percent of private physicians have net incomes of over \$41,000 and that 69 percent of the military physicians have incomes over \$37,000 compared to Veterans Administration physicians having an average salary of \$31,000. The highest paid Uniformed Services physicians earn \$55,594 and over 15 percent of the non-Federal physicians earn over \$71,000 net per annum.

It should also be noted in connection with the \$37,355 military physicians' average income that over 75 percent have less than 12 years of professional experience. For those with over 12 years of experience, the average salary is \$43,039. The average salary after 12 years experience in the VA is \$36,000 or less.

No attempt is being made to make the VA competitive with civilian physicians. It is the Committee's hope that increases under the reported bill will close the gap between the VA and military physician earnings. Increases in pay provided by H.R. 8240 will not make the VA competitive with the Uniformed Services due to various fringe benefits available to those who practice medicine in service. As was stressed in Senate Report No. 93-658, at page 7, in explaining the provisions of S. 2770 leading to the enactment of Public Law 93-274:

It is hoped that other military benefits such as a generous retirement system, commissary and post exchange privileges, free medical care and other fringe benefits would provide additional incentives for physicians to remain in service.

No such incentives exist for physicians employed by the Veterans Administration.

The hearings disclosed that medical care for America's 29 million veterans is rapidly deteriorating due to a lack of qualified physicians largely attributable to the \$36,000 pay limitation. The Chief Medical Director of the Veterans Administration, Dr. John D. Chase, told the Committee that of all the problems in the area of patient care, the gravest threat to VA's ability to deliver the quality of care expected of the Agency is its inability to offer competitive salaries to its physicians. He also acknowledged that he has a problem in recruiting and retaining quality dentists, although according to Dr. Chase, it must be acknowledged that the problem is less critical in relationship to the recruitment and retention of physicians.

The VA has gathered an unarguable data base regarding the incomes of physicians in non-VA settings. This includes the incomes of physi-

cians in other Federal medical systems. There are marked, even drastic disparities between what VA can pay its physicians and what comparably qualified physicians are earning elsewhere.

Information has also been gathered on what these disparities have meant to the Agency's system, over the past year or two, in terms of rejections of offers of employment, of resignations from the system, and of movement within the system from full-time to part-time employment. And, while it is more difficult to measure, according to Dr. Chase there is a serious and growing morale problem among the VA's remaining physicians.

In explaining the crisis he now faces, Dr. Chase told the Committee:

I am not talking about short-category specialists alone but about physicians across the board. Of course, our traditional problem of attracting certain specialties has become even more acute. For example: 44 of our chief-of-psychiatry positions are either vacant or filled on a part-time basis; 67 of our chief-of-laboratory positions are either vacant or filled by part-time pathologists or pathologists on a consultant or contract basis; 71 of our chief-of-radiology positions are either vacant or filled on a part-time or contract basis; and we are in need of a full-time chief of anesthesiology at approximately one-half of our hospitals.

As important as these figures are, I think our primary message is told better as follows: Last year, of all bona fide offers of employment to physicians, we had a 66 percent rejection rate on the basis of salary; in the past 2 years, the percentage of foreign medical graduates in our physician work force has moved from 26 percent to almost 32 percent; in the past 5 years, the number of individual physicians has increased by 34 percent; but our complement of part-time physicians has jumped by 174 percent, while the number of full-time physicians went up only 7 percent. One measure of quality of physician performance is his or her ability to gain academic rank in a medical school. In the past year, the number of VA physicians gaining this distinction has dropped from 51 percent to 40 percent.

We must reverse this trend of high-caliber physicians in all categories either leaving, or refusing employment in our health care facilities. It is a matter of extreme urgency that a solution be found that will make VA's salary structure for physicians competitive at least with the salaries payable to comparably qualified physicians in the other Federal health care systems, namely those in the Department of Defense and the U.S. Public Health Service.

The authority granted by the reported bill provides for the VA physician, and to some degree the dentist, a pay adjustment similar to that currently available to physicians and dentists in the uniformed services.

The Administration proposal (appearing later in the report) would have provided a variable allowance for physicians only of up to \$13,500 per annum. Any sum paid under such authority would have

been in accordance with regulations prescribed by the Administrator and approved by the President, and would have been paid in such installments as prescribed in those regulations. The Committee felt strongly that most of the total amount authorized should not be discretionary but be based on certain specific criteria such as full-time status, tenure, scarcity of medical or dental specialty, educational background and professional responsibility.

The Administration proposal would have excluded dentists from the special and incentive pay provisions of the bill, the reason being that such limitation would be consistent with the specific limitation approved for the Department of Defense and the Department of Health, Education and Welfare last year in Public Law 93-274. The Committee notes that Public Law 93-274 does provide special pay for dentists, and should they continue to remain in the military service, they are also eligible for continuation pay. Continuation pay is authorized to those dental officers who execute an agreement to remain on active duty for specified periods of time, calculated on periods beginning with one year. The pay ranges from an equivalent of two to four months of base salary. For example, a dental officer with four years of military service (Major: O-4) receives \$19,316 regular military compensation, \$1,800 special pay, and \$4,984 continuation pay. Counting his "tax advantage" of \$347, his combined annual pay is \$26,447. His net salary with the VA would be \$20,289.

In summary, the Major would receive his regular base pay, quarters and subsistence allowance, special pay, continuation pay, and an adjustment for income tax exemption on portions of the compensation. Additional benefits would include free medical care for himself and his family, commissary and Post Exchange privileges, club privileges, and no deduction from his pay for retirement. Dentists in the Veterans Administration receive no special income tax exemption and are partially financially responsible for health and hospitalization benefits. In addition, they are required to contribute 7 percent of their pay to their retirement program.

The Chief Medical Director, in his testimony before the Committee, recommended that the special pay and incentive pay be limited to physicians only since Public Law 93-274 restricted the variable allowance to physicians only. However, for the reasons outlined above, and the Chief Medical Director's admission that the problem of recruitment and retention of dentists is "less critical" than with physicians, the Committee has provided for special and incentive pay at one-half the rate provided for physicians in the reported bill. The provisions will be administered in such a way that the total cost of the reported bill will be less than the proposal submitted and approved by the Administration.

The Committee does not expect the special pay provision to be administered across the board. It is authorized to be used at the discretion of the Administrator and is clearly intended to be used only in instances where it is necessary to recruit and retain a physician or dentist when pay is the determining factor. It should be paid to those physicians or dentists at the convenience of the Federal Government, and should not be paid to those individuals who are not performing to the highest standards required by the Veterans Administration.

PURPOSE OF THE BILL

The Committee is recommending H.R. 8240 as a stopgap measure to prevent the mass exodus of physicians and dentists from the VA system and to aid the Chief Medical Director in recruiting physicians to replace those who have already resigned or retired from the Agency.

The bill attempts to achieve pay comparability with the salaries paid to other Federal physicians. The bill does not contemplate pay comparability for physicians in the private sector. H.R. 8240 would merely place Veterans Administration physicians at the same approximate salary level as physicians paid in the Uniformed Services without regard to a number of fringe benefits enjoyed by Uniformed Services physicians, such as free retirement benefits while the VA physician pays 7 percent of his salary into a retirement fund. Physicians in the uniformed service pay no taxes on certain other fringe benefits. Additionally, the Uniformed Services physician and his family are entitled to free medical and dental care for himself, life insurance for a modest fee, PX and commissary privileges, and air travel for himself and his family on a space available basis. Unless the VA physician is a retired officer, he is entitled to none of these fringe benefits.

The Committee strongly recommends that the President take immediate action to appoint a Federal physicians salary study Commission to include the Chief Medical officers of all Federal Departments involved in delivery of health care in Federal hospitals and other medical facilities. It is further recommended that the Chairman of this Commission be independent of any Federal Department or agency in employment relationship. In addition, it is recommended that an appropriate representative of the Civil Service Commission be included among the members of this Special Study Commission.

It is the hope of your Committee that the Commission which has been suggested be appointed would make formal recommendations to the Congress within a period of twelve months after it is established for a Uniform Pay system relating to all Federal physicians in order to avoid the hodgepodge chaotic conditions which continue to result from the passage of stopgap measures relating to the payment of salaries to Federal physicians.

The feeling of the Committee is so strong about a permanent solution to the problem that it has directed the Comptroller General to also conduct a study on the problems of attracting and retaining the services of qualified physicians and dentists in the Federal service, and to report his findings to the Congress no later than August 31, 1976, with legislative and administrative recommendations leading to a permanent solution.

PAY PROBLEMS RELATED TO OTHER HEALTH CARE PERSONNEL

Due to the crisis confronting the Veterans Administration in recruitment and retention of physicians and, to a lesser degree, dentists, your Committee decided not to include other Veterans Administration health care personnel in the bill. Serious problems exist within the Agency pertaining to various classified personnel and the Subcom-

mittee on Hospitals will focus on these problems in phase 2 of its hearings during this month.

During the course of several surveys conducted by the House Veterans Affairs Committee and during the course of the Chief Medical Director's testimony on overall salary and fringe benefit problems for VA Department of Medicine and Surgery personnel a number of other issues were brought to the Committee's attention which will require remedial action after further study. These issues are as follows:

STANDBY AND ON-CALL PAY

The Committee is not convinced that the problems associated with the provision of premium pay for the work outside of regular duty hours of general schedule employees cannot be resolved by administrative regulations that can be issued under the authority of the Department of Medicine and Surgery. Therefore, the Department is directed to resolve the existing problems in this area by use of means within its jurisdiction.

COMPENSATION FOR NURSING ASSISTANTS

Attempts to adjust the compensation of Nursing Assistants by comparison with the prevailing wage grade rates in a given locality should take into account comparable levels of experience for those being compensated under the two systems.

It should be pointed out that focusing on correcting the deviations between rates of compensation for wage employees and general schedule employees in the isolated instance of the Nursing Assistants will raise the issue of providing similar adjustments for a whole series of other employees, which if enacted would create a major funding impact. Accordingly, the Department is directed to conduct a study which will develop realistic figures on the cost of resolving salary inequities in all appropriate employee groups and make its findings known to the House Veterans Affairs Committee not later than six months after enactment of this legislation.

CLASSIFICATION STANDARDS FOR LICENSED PRACTICAL NURSES (LPN)

The Licensed Practical Nurse is covered by the same classification standard as the nursing assistant (GS-621). As a result, it appears that the entry levels, career progression and accompanying levels of compensation for the Licensed Practical Nurse may be sub-optimal. Although efforts to remedy this situation through construction of a separate set of classification standards for the Licensed Practical Nurse have been unsuccessful with the Civil Service Commission, the Department of Medicine and Surgery is instructed to continue efforts to prepare such a set of standards in cooperation with the Civil Service Commission. The Committee is to be apprised by October 15, 1975, and thereafter at thirty day intervals, of the results of these efforts and of any further developments in the Department's ability to recruit and retain Licensed Practical Nurses. If this problem cannot be resolved administratively in a satisfactory manner, appropriate legislative action may become necessary.

PREMIUM PAY FOR DEPARTMENT OF MEDICINE AND SURGERY NURSES

The premium pay regulations established by Public Law 93-82 for Department of Medicine and Surgery nurses has created several problems including the following: Removal of the availability of compensation time for nurses receiving overtime pay; lack of provision for on-call pay when a nurse is off-duty on a holiday; excessive rates of premium pay for overlapping duty schedules, and reduced flexibility for several groups of nurses who frequently need to work beyond an 8 hour scheduled tour of duty. It appears that these problems may be best resolved through alteration of existing legislation. Besides revising the premium pay provisions of Public Law 93-82, the Committee will consider placing certain groups of nurses who have unique health care responsibilities under the hours of duty provisions that govern Department of Medicine and Surgery physicians. Among these is the nurse-anesthetist who functions with some difficulty under present regulations. Technical language is being prepared to deal with these problems and will be made a part of future legislative proposals.

PHYSICIANS' ASSISTANTS

Testimony was received during the course of the Committee hearings on the salary structure of physicians recommending that physicians' assistants be removed from the general schedule classification and reclassified under Title 38. While the Committee recognizes that there may be considerable merit to such a proposal, the Committee believes that additional information is needed to reclassify physician's assistants under Title 38. In view of the urgency to relieve the current gross inequities in VA physicians' salaries, the Committee has deferred action at this time.

The Committee is especially concerned that the physicians' assistants program in the Veterans Administration is being impeded as a result of unrealistic general schedule salary levels because physicians' assistants fall under the general schedule category administered by the Civil Service Commission.

The entry level for physician's assistants is generally at step 1 of grade 7 of the general schedule which currently pays \$10,520 per year. In a recent nationwide survey conducted by the American Academy of Physicians' Assistants, starting salaries were found to range from about \$12,000 to \$15,000 per year. This survey further disclosed that the differences between private and Federal salaries in the physicians' assistants program appeared to continue after employment.

The impediment in the Veterans Administration is apparent in that only a total of 85 physician's assistants are presently employed throughout the Veterans Administration hospital system. These highly trained paramedical personnel are playing an increasingly important role in health care delivery in the private sector and to the extent that physicians' assistants are available in the VA system they are playing an especially important role in outpatient care and ambulatory care as expanded in Public Law 93-82. The Veterans Administration has stated to the Committee that they have found physician's assistants to be highly competent health care professionals who carry out their

assigned tasks in a most effective manner. Additionally physicians' assistants are playing a major role in patient care activities simultaneously relieving physicians with whom they work of many of their more routine tasks.

The Veterans Administration has stated to the Committee that they are "convinced that physicians' assistants are very valuable employees—and that they would like to hire a much larger number of them than we have at present." The Veterans Administration further indicated to the Committee that the major obstacle to employing additional physicians' assistants is that the current salary rates in the federal system is noncompetitive with those in the private sector.

The Department of Medicine and Surgery is directed to intensify its activities with the Civil Service Commission in attempting to develop a more appropriate entry level and career ladder for physician's assistants. These efforts should be directed toward the objective of enabling those personnel employed by the Veterans Administration to reach salary parity with those in the private sector.

The Veterans Administration is directed to report to the Committee on Veterans Affairs of the House of Representatives within 6 months after enactment of H.R. 8240, on the status of its negotiations with the Civil Service Commission to establish a more viable salary parity for physicians' assistants in the Veterans Administration with those in the private sector.

If this goal cannot be accomplished with the physicians' assistants being included under the general schedule it is the judgment of this Committee that the importance of this occupation dictates that it be reclassified under Title 38. This shift appears ultimately necessary because the physicians' assistants' function in health care delivery is closely connected with the role of both physicians and nurses both of which are included under Title 38.

OVERSIGHT FINDINGS

Pursuant to clause 2(1)(3)(A) of Rule XI of the Rules of the House of Representatives, the Committee issues the following oversight findings:

House Committee Print 151, 93d Congress, 2d Session, published September 1, 1974, concerns the operations of Veterans' Administration hospital and medical programs. This Committee document presents selective data relating to the workloads, personnel, funding, and other related requirements of the Veterans' Administration medical care program. Data contained therein were derived from questionnaires prepared at the direction of the Committee and completed by the Veterans' Administration hospital, outpatient clinic and domiciliary directors.

Since the Agency operates the largest integrated medical system in the world, employing more than 173,000 personnel, the Committee recognizes the continuing need to monitor the operation of the facilities and various medical programs provided for the benefit of veterans. The questionnaire survey is one of the methods used by the Committee in evaluating quality of care received by veterans in VA facilities and determining deficiencies that may exist within the system.

In carrying out its oversight responsibilities, during a recent survey conducted by the Committee, of the 5,500 full-time physicians presently employed by the Department of Medicine and Surgery, 40 percent are affected by the \$36,000 salary limitations. Many of them have received no increase in pay during the past five years. During this same period of time the cost of living has increased more than 30 percent. As a result, many highly trained physicians and dentists are leaving the Agency for more lucrative offers from the private sector.

On March 31, 1974, the President directed the Chief Medical Director to investigate the quality of medical care in VA hospitals. As a result of the presidential directive, a report of the Chief Medical Director's findings transmitted to the President on July 31, 1974 and made public October 26, 1974 (Committee Print No. 163 93d Congress, 2d Session), confirmed the findings of the Committee survey—that as a result of the \$36,000 salary ceiling, many highly trained physicians, dentists and other health related personnel are leaving the Veterans Administration for more lucrative offers. This was again confirmed in testimony received by the Subcommittee on Hospitals during four full days of hearings on various bills relating to physician and dentist pay. The Committee agrees with the Chief Medical Director's findings that the number one priority today is the need to increase the salaries for physicians and dentists.

In regard to clause 2(7)(3)(D) of Rule XI, no oversight findings have been submitted to the Committee by the Committee on Government Operations.

In regard to clause 2(7)(3)(C) of Rule XI, no cost estimate or comparison has been submitted by the Congressional Budget Office relative to the provisions of H.R. 8240.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(7)(4) of Rule XI of the House of Representatives, the Committee makes the following statement in regard to the inflationary impact of the reported bill:

H.R. 8240 would call for an expenditure of approximately \$46,319,000 in fiscal year 1976. The total cost through September 25, 1976, which would include the transition period, is estimated at approximately \$61,759,000. With a Federal budget estimated to exceed \$395 billion in fiscal year 1976, the increased expenditure contained in the reported bill is minimal. It should be noted that the Administration has recognized the critical situation now existing within the Agency and has recommended legislation with an approved one-year cost of \$63,000,000. The total cost of the reported bill is within that approved by the Administration.

COST ESTIMATE

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the costs which would be incurred in carrying out this bill:

The reported bill would cost the Federal Government approximately \$46,319,000 in fiscal year 1976, and an additional \$15,440,000 during the three-month transition period between the end of fiscal year

1976 and the start of the new Government fiscal year 1977 on October 1, 1977. The special and incentive pay provisions of the bill will expire on September 25, 1976, unless such provisions are extended by Congress.

SUMMARY OF THE BILL

H.R. 8240 would amend title 38, United States Code, to authorize the Administrator of Veterans' Affairs to pay certain physicians and dentists employed by the Department of Medicine and Surgery of the Veterans Administration additional pay in order to assist in the recruitment and retention of such personnel.

To accomplish that purpose, the Administrator would be authorized to pay to any full-time physician employed by the Agency up to \$5,000 per annum special pay, in addition to his regular basic pay. Any sum paid under this authority would be in accordance with regulations prescribed by the Administrator, and would be paid in such installments as prescribed in those regulations. Part-time physicians, employed by the Agency half-time or more, would be eligible for the special pay at the same per annum rate and under the same conditions as that provided full-time physicians. For example, a physician employed by the Department of Medicine and Surgery on a half-time basis would be eligible for an amount of special pay not to exceed \$2,500. If the physician is employed less than half-time, he would not be eligible for any amount of special pay.

The Administrator would be authorized to pay to any full-time dentist up to \$2,500 special pay, in addition to his regular basic pay. Part-time dentists, employed half-time or more, would be eligible for the special pay. A dentist employed on a half-time basis would be eligible for an amount of special pay not to exceed \$1,250. As in the case of the part-time physician, if the dentist is employed less than half-time, he would not be eligible for any amount of special pay.

In addition to the special pay, the Administrator would be authorized to pay to an eligible full-time physician employed by the Agency incentive pay not to exceed \$8,500 per annum, in addition to his regular basic pay. Any sum paid under this authority would be based on several factors including: (1) full-time status; (2) tenure of service within the Department of Medicine and Surgery; (3) scarcity of medical or dental specialty; (4) board certification, and (5) professional responsibility. Part-time physicians, employed by the Agency half-time or more, would be eligible for the incentive pay at the same per annum rate and under the same conditions as that provided full-time physicians. For example, a physician employed by the Department on a half-time basis may be eligible for an amount of incentive pay not to exceed \$4,250. If the physician is employed less than half-time, he would not be eligible for any amount of incentive pay.

The Administrator would be authorized to pay to any full-time dentist up to \$4,250 incentive pay, in addition to his regular basic pay. Part-time dentists, employed half-time or more, would be eligible for the incentive pay. A dentist employed on a half-time basis may be eligible for an amount of incentive pay not to exceed \$2,125. As in the case of the part-time physician, if the dentist is employed less than half-time, he would not be eligible for any amount of incentive pay.

Any amount of special and incentive pay paid to a physician or dentist would be in addition to his or her regular basic pay. Such special and incentive pay would not be considered basic pay for purposes of Civil Service Retirement or other benefits related to basic pay.

No part-time physician may be paid an aggregate amount of basic pay, special pay, or incentive pay in excess of \$41,000 per annum, and no part-time dentist may be paid an aggregate amount of basic pay, special pay, or incentive pay in excess of \$36,000.

The bill would transfer the positions of Chief Medical Director and Deputy Chief Medical Director from the Executive Salary Schedule provision of title 5, United States Code, and add them to the provisions of title 38. Regular basic pay for these positions would remain at the present rates for levels III and IV of the Executive Schedule in which these positions are now placed.

The bill provides that no later than April 30, 1976, the Administrator of Veterans' Affairs shall submit to the House and Senate Committees on Veterans Affairs a report on the effectiveness and operation of the special and incentive pay program.

The bill also provides that the Comptroller General of the United States shall conduct an investigation related to the problems facing the departments and agencies of the Federal Government in attracting and retaining the services of qualified physicians and dentists; an evaluation of the extent to which the implementation of a uniform system of pay, allowances, and benefits for all physicians and dentists employed in Federal service would alleviate or solve such recruitment and retention problems, and based on such investigation and evaluation, develop appropriate alternative suggested courses of legislative or administrative action which in the judgment of the Comptroller General will solve such recruitment and retention problems.

The effective date of the bill is September 28, 1975, which coincides with the beginning of an appropriate pay period of the Veterans' Administration. The special or incentive pay provisions of the bill may not be paid after September 25, 1976, unless extended by Congress.

SECTION-BY-SECTION EXPLANATION

References to provisions of existing law contained in this explanation refer to provisions of title 38, United States Code.

Section 1.—This section provides that the Act may be cited as the "Veterans' Administration Physicians and Dentists Comparability Pay Act of 1975".

Section 2.—Subsections (a) (1) and (2) would amend section 4107 (a) of existing law to include the positions of Chief Medical Director and the Deputy Chief Medical Director under title 38, and would revise the per annum full-pay scale or ranges for various positions provided in section 4103. Subsection (a) (3) would amend section 4107 (b) (1) by revising the grades and per annum full-pay ranges for physician and dentist positions provided in paragraph (1) of section 4104.

Subsection 4107(d) of existing law limits the basic rate of pay for physicians and dentists to level V of the Executive Schedule. Sub-

section (a) (4) of the reported bill would provide that the per annum basic rate of pay for the Chief Medical Director and the Deputy Chief Medical Director shall be at the rate of basic pay for levels III and IV, respectively, of the Executive Schedule. All other physicians and dentists would be limited to the rate of basic pay for level V. Subsection (a) (5) would provide that the Administrator, under such regulations as he shall prescribe, may pay to any physician or dentist employed on a full-time basis by the Department of Medicine and Surgery special pay not to exceed \$5,000 (in the case of a physician) and not more than \$2,500 (in the case of a dentist). If the annual basic rate of pay of such physician or dentist is less than \$36,000, the amount of special pay will be reduced by the amount of increase the physician or dentist may receive by revising the grades and per annual full-pay ranges in the Physician and Dentist Schedule.

In addition to the special pay, the Administrator may pay to any full-time physician or dentist incentive pay in an amount not to exceed \$8,500 per annum and \$4,250 per annum, respectively. In determining eligibility for the incentive pay, the Administrator shall take into account only the following factors and may pay no more than the indicated per annum amounts to each physician eligible therefor, or proportional amounts to each dentist eligible therefor: (A) appointment to full-time status, \$1,000; (B) tenure of service within the Department of Medicine and Surgery of from 3 to 6 years, \$500—from 6 to 9 years, \$1,500—from 9 to 12 years, \$2,000—and from 12 or more years, \$2,500; (C) scarcity of medical or dental specialty, \$2,000; (D) Board certification, \$1,000 and (E) professional responsibility in the case of—Service Chief and Assistant Chief of Staff, \$2,000—Executive Grade, \$3,500—Director Grade and Deputy Service Director, \$3,750—Service Director, \$4,250—Deputy Assistant Chief Medical Director, \$4,500—Chief Medical Director, Deputy Chief Medical Director, Associate Deputy Chief Medical Director, and Assistant Chief Medical Director, \$5,000.

The limitations in section 5308 of title 5 would not apply to special pay and incentive pay payable under this subsection.

Any special pay or incentive pay paid to any individual pursuant to this subsection shall be in addition to any other pay and allowance to which such individual may be entitled; and shall not be considered basic pay for purposes of Civil Service Retirement or other benefits related to basic pay.

Subsection (b) of section 2 of the reported bill would provide that special and incentive pay shall be paid to "Temporary full-time physicians and dentists employed by the Department of Medicine and Surgery. It would also provide that special pay and incentive pay may be paid in the same amounts and under the same conditions as provided for full-time physicians and dentists. For example, a physician employed by the Department on a half-time basis may be eligible for special pay in an amount not to exceed \$2,500. In addition, if he has been employed by the Department for seven years, employed in a scarce medical specialty, and is Board certified he may be eligible for \$2,250 incentive pay. The aggregate amount of basic pay, special pay, or incentive pay for any part-time physician or dentist shall exceed \$41,000 and \$36,000, respectively.

No physician or dentist employed less than half-time under this subsection would be eligible for either special or incentive pay.

Subsection (c) would provide that no increase in the annual rate of basic pay which results from revising the grades and per annum full-pay ranges of the Physician and Dentist Schedule under Section 2(a) (3) of the bill may exceed \$5,000 in the case of any physician or may exceed \$2,500 in the case of any dentist.

Subsection (d) would provide that no special pay or incentive pay may be paid to any physician or dentist after September 25, 1976, unless approved by Congress.

Section 3.—This section would provide that no later than April 30, 1976, the Administrator shall submit to the House and Senate Veterans' Affairs Committees a report on the effectiveness and operation of the special and incentive pay program.

Section 4.—This section would direct the Comptroller General of the United States to conduct an investigation related to the problems facing the departments and agencies of the Federal Government in attracting and retaining the services of qualified physicians and dentists; develop appropriate alternative suggested courses of legislative or administrative action which in his judgment would bring about a permanent solution to such recruitment and retention problems, and submit his report to the Congress no later than August 31, 1976.

Section 5.—This section would remove the positions of Chief Medical Director and Deputy Chief Medical Director from title 5, United States Code.

Section 6.—This section would provide that the provisions of the legislation become effective September 28, 1975.

AGENCY REPORTS

On July 8, 1975, the Veterans Administration submitted a report on H.R. 8240.

On April 28, 1975, the Veterans Administration submitted a report on various bills being considered by the Committee and on May 29, 1975 the Agency submitted proposed legislation for consideration by the Committee. Copies of these reports and letter of transmittal follow:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., July 8, 1975.

HON. RAY ROBERTS,
Chairman, Committee on Veterans' Affairs, House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This will respond to your request for a report by the Veterans' Administration on H.R. 8240, 94th Congress, a bill "To amend title 38, United States Code, to provide special pay and incentive pay for certain physicians and dentists employed by the Department of Medicine and Surgery of the Veterans' Administration in order to enhance the recruitment and retention of such personnel, and for other purposes."

Briefly the subject bill—

(1) Transfers the positions of Chief Medical Director and Deputy Chief Medical Director to the pay scale under title 38 from the Executive Schedule of title 5.

(2) Increases the statutory salary rate for the Chief Medical Director and the other Central Office DM&S personnel paid under title 38, as well as other personnel paid under the "Physician and Dentist Schedule" in section 4107 of title 38. The basic rate of pay for Chief Medical Director would be no more than authorized for level III (\$40,000) of Executive Schedule; for Deputy Chief Medical Director level IV (\$38,000); and for all other individuals level V (\$36,000).

(3) Authorizes the Administrator to pay a special pay to full-time physicians in the amount of \$5,000 per annum, and to full-time dentists in the amount of \$2,500 per annum. If such individuals' pay is less than \$36,000 the special pay is reduced by the amount the individuals will receive by upgrading Physician and Dentist Schedule.

(4) Authorizes the Administrator to pay, in addition to the special pay incentive, pay in an amount not to exceed \$8,500 per annum to any physician employed on a full-time basis and not to exceed \$4,250 per annum to any dentist employed on a full-time basis. Such incentive pay may be paid in such amounts, at such times, and subject to such conditions as the Administrator shall, by regulation, prescribe. Specific individual factors are included in the bill with definite amounts payable therefore.

(5) The \$36,000 ceiling under title 5 shall not apply to special pay and incentive pay.

(6) Any special pay and incentive pay shall be in addition to basic pay.

(7) Any special pay and incentive pay shall not apply toward Civil Service retirement of other benefits related to basic pay.

(8) Temporary full-time physicians and dentists may be paid special pay and incentive pay in the same amounts and under the same conditions as provided for other full-time physicians and dentists.

(9) Part-time physicians and dentists employed on a half-time or more basis may be paid such special pay and incentive pay at the same per annum rate and under the same conditions as provided for full-time physicians and dentists; except that no part-time physician or dentist may be paid an aggregate amount of basic pay, special pay, or incentive pay in excess of \$41,000 or \$36,000 per annum respectively.

(10) No increase in an annual rate of basic pay which results from the conversion to the new physician and dentist schedule may exceed \$5,000 in the case of any physician or may exceed \$2,500 in the case of any dentist.

(11) The authority for providing special and incentive pay will remain in effect until September 25, 1976, unless extended by Congress.

(12) Not later than April 30, 1976, the Administrator shall submit to Congress a report of the effectiveness and operation of the special and incentive pay program.

(13) Directs the Comptroller General to conduct a study of the problem of recruiting and retaining the services of qualified physicians and dentists in the Federal service, and report to appropriate Congressional committees by August 31, 1976, on a solution to the problem.

(14) The effective date of this Act is September 28, 1975.

On May 29, 1975, I submitted by letter to the Speaker of the House of Representatives a draft bill which would provide VA physicians a variable allowance of up to \$13,500 per annum, comparable to that available to physicians in the uniformed services. The requested legislative authority would become effective July 1, 1975, and terminate on June 30, 1976, which is identical to the concluding date for Public Law 93-274, the "Special Pay Structure Relating to Medical Officers of the Uniformed Services Act".

The provisions of H.R. 8240 differ considerably from the Administration proposal referred to above. Those major differences are:

(1) Increase in the "Physician and Dentist Schedule".

(2) Inclusion of dentists in the bill.

(3) Difference in effective and ending dates.

(4) Provision for study by the Comptroller General.

As I pointed out in my report to you on H.R. 1545 and similar purpose bills dated April 28, 1975, a review of all available information does not suggest that our recruitment and retention of dentists and nurses are suffering to an equivalent degree on the basis of a disparity in reimbursement level. I, therefore, propose that the allowances be limited to VA physicians. This would be consistent with the specific limitation Congress approved for the Department of Defense and the Department of Health, Education, and Welfare last year in Public Law 93-274, which restricted incentive pay to physicians only.

The Administration has undertaken an evaluation of the effect of the variable incentive pay program on the recruitment and retention of physicians in the Department of Defense and the Department of Health, Education, and Welfare, with a view toward developing a more uniform and equitable approach to the problem of Federal physician compensation. It is our intention to also participate in this effort, including our own evaluation of the recommended VA variable allowance. Based upon the results of this evaluation, the Administration will also review or develop any necessary and appropriate legislative proposals as part of its Fiscal Year 1977 legislative program.

In his statement before the Subcommittee on Hospitals of this Committee on May 22, 1975, where similar purpose legislation was being considered, the Chief Medical Director stated: "In view of the budgetary and equity considerations already mentioned, we would be unable to recommend that the President approve any legislation which would extend the incentive pay provisions to other than physicians, or which would provide for benefits beyond the scope of the incentive pay proposal discussed above."

Therefore, in view of the foregoing, we do not favor the enactment of H.R. 8240.

We estimate that enactment of H.R. 8240 would cost \$61.8 million.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report and are also advised that enactment of the Administration proposal would be in accord with the program of the President.

Sincerely,

ODELL W. VAUGHN,
Deputy Administrator.

VETERANS ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS,
Washington, D.C., April 28, 1975.

HON. RAY ROBERTS,
Chairman, Committee on Veterans' Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This will respond to your request for a report by the Veterans Administration on H.R. 1545, H.R. 5979, and H.R. 6088, similar purpose 94th Congress bills "To amend title 38, United States Code, to establish the per annum full-pay scale for certain personnel of the Department of Medicine and Surgery of the Veterans' Administration; to make a career in the Department of Medicine and Surgery more attractive, and for other purposes."

Each of the subject bills would amend section 4107 of title 38, to provide specific per annum salary rates for the Chief Medical Director, the Deputy Chief Medical Director, and the Associate Deputy Chief Medical Director, although each bill would provide a different salary rate. Each bill would also amend sections 5314 and 5315 of title 5, United States Code, to remove the Chief Medical Director and the Deputy Chief Medical Director from levels III and IV, respectively, of the Executive Schedule.

Two of the bills, H.R. 5979, and H.R. 6088, would remove the \$36,000 limitation now imposed on salary rates of title 38 personnel, by providing that the limitations of section 5308 of title 5 would not apply to pay under section 4107 of title 38. In addition, H.R. 6088 would repeal the current "Physician and Dentist Schedule" in section 4107(a) of title 38, and establish a new "Schedule for Veterans' Administration Field Activities for Physicians and Dentists", with salary rates ranging from a minimum for Associate grade of \$20,000 per annum to a maximum for Director grade of \$65,000 per annum. It would also require that the Secretary of Labor conduct surveys as necessary to determine for each calendar year after 1974, the average percentage salary increase received over the previous year by persons in equivalent non-Federal physician and dentist positions, and certify the results to the Administrator, who would adjust the salary rates for physicians and dentists employed by the Department of Medicine and Surgery within thirty days of that certification.

H.R. 1545 and H.R. 5979 would each authorize the Administrator to pay to any full-time physician, dentist, or nurse in the Department of Medicine and Surgery, an amount not to exceed 25 per cent of the per annum salary rate of such individual, in addition to any other pay or allowance. H.R. 5979 would also permit the Administrator, under certain conditions, to establish, for geographic areas, a higher minimum and range of rates of basic compensation for licensed practical nurse and nursing assistant positions.

Each of the bills would authorize the granting of leave with pay to any physician, dentist, or nurse (except H.R. 6088 would not extend the benefit to nurses) in the Department of Medicine and Surgery, who has completed seven years of full-time service, for not more than six months for study in his or her specialty. Thereafter, leave with pay would be granted for a three-month period for such purpose upon the completion of each additional five years of service.

Finally, H.R. 6088 would authorize the crediting of up to nine years for Civil Service Retirement purposes for physicians or dentists who have served in the Department of Medicine and Surgery on a full-time basis for not less than ten years, the last five years of which were consecutive full-time service occurring immediately prior to eligibility for retirement under chapter 83 of title 5. The time credited would have to be determined by the Administrator as having been devoted to medical or dental school and pursuit of Board certified specialty or subspecialty. The Administrator would be required to pay into the Civil Service Retirement and Disability Fund, sums covering both the employee and agency contributions to that Fund, under a designated procedure.

The provisions of each of the subject bills are similar in purpose to some of the recommendations made last year by a Department of Medicine and Surgery task force appointed by the Chief Medical Director to review recruitment and retention of VA health care personnel. Such a review was part of a Special Survey of Level of Quality of Patient Care at VA Hospitals and Clinics conducted by the VA at the request of the President. As the report indicated, a critical problem confronting the Department of Medicine and Surgery is the recruitment and retention of an adequate staff of well qualified personnel to provide high quality health care. The report states that a principle deterrent to successful recruitment and retention of these professionals rests in inadequate pay schedules which preclude competitive remuneration for their services.

As shown by a recent survey, in calendar year 1974, two-thirds of outside physicians given a firm offer of VA employment declined on the basis of inadequate salary. Many career full-time physicians are converting to part-time positions to augment their salaries. VA's physician salary levels are more attractive for foreign-trained physicians than for U.S. trained physicians.

On the other hand, VA survey data suggest that the level of physicians' salary by itself does not explain the continuing turnover of VA physicians and recruitment difficulties. In the same surveys cited above, a proportion of VA physician resignations in the past year have occurred because of other factors, e.g., family health, retirement, and other reasons. Similarly, reasons other than salary account for a substantial proportion (about one-third) of turndowns by outside physicians to VA recruiting offers. In sum, this data reflects a mixture of factors, of which pay is prominent, but so are local differences in professional opportunity, remote locations of hospital duty assignments, local family and personality factors, and the like.

Other large Federal medical manpower systems face similar problems of physician recruitment and retention. With these problems in mind, the Congress authorized an experimental "doctor bonus" program which is currently underway in the military and the Public Health Service Commissioned Corps. This authority expires on June 30, 1976. As you are aware, bonuses for those two groups of physicians were authorized last year in Public Law 93-274, and began to be paid in September. In view of the experimental nature of the doctor bonus program, Congress called for a thorough study of its costs, benefits, and impact on physician recruitment and retention. The Department

of Defense and the Department of Health, Education, and Welfare are required to submit interim and final evaluation reports to the Congress by April 30, 1975, and April 30, 1976.

The currently imposed \$36,000 per annum limitation places salary restriction on about 40 percent of the physicians and dentists now employed full-time in the Department of Medicine and Surgery. Some have been affected by this restriction for as much as five years while, simultaneously, the cost of living has risen in excess of 33 percent. The alarming number of those under salary restriction has eroded and will further erode the competitive position of the Department of Medicine and Surgery in recruitment efforts and, more importantly, in retention of these key professionals. On the other hand, it must be acknowledged that this is not a problem unique to the Department of Medicine and Surgery of the Veterans Administration. The present limit on executive salaries has imposed problems of recruitment and retention throughout the Executive and Judicial branches of the government.

Thus, the magnitude of the problem facing the Department of Medicine and Surgery of the Veterans Administration in trying to carry out its mission of providing quality care to our veterans becomes obvious. However, it must be acknowledged that the problem is less critical in relationship to the recruitment and retention of dentists and nurses. We would like to point out that the Administration has already moved to implement most of the recommendations of the VA Quality Survey. Despite the necessary limitations imposed on the growth of most Federal programs this year, the President's 1976 Budget provides 6,200 new positions and an increase of \$240 million to implement the Study recommendations.

Acceptable solutions to the remaining problems cannot be considered solely in the context of the Veterans Administration, but must be viewed in the context of the overall economic difficulties facing this Nation.

In his State of the Union Message last January 15, 1975, the President proposed a major tax reduction to stimulate economic recovery and recommended a series of actions to meet the Nation's energy problems. He pointed out that these proposals would result in a sizable budget deficit. Accordingly, he called for a curb on the rate of increase in domestic programs that has occurred in recent years.

In signing, on March 29, the tax reduction bill enacted by the Congress—which totaled \$23 billion rather than the \$16 billion he recommended—he pointed out that the budget deficit would reach \$60 billion in fiscal year 1976, as estimated on that date. He said:

"I will resist every attempt by the Congress to add another dollar to this deficit by new spending programs. I will make no exception, except where our long-range national security interests are involved, as in the attainment of energy independence or for urgent humanitarian needs."

We continue to support the findings and recommendations of the Department of Medicine and Surgery Task Force in regard to the need to improve the quality of medical care. We believe the 1976 budget represents great strides in this regard.

During this time when millions of workers have no job at all, and when we are still experiencing considerable inflationary pressure, we

must demonstrate restraint in handling proposals for pay raises, or increases in benefit programs. However, in light of the urgent requirement to assure the maintenance of high quality care, as a humanitarian need, for our deserving veterans, I am recommending a limited and controlled solution to the problem of recruitment and retention of VA physicians.

I propose that Congress enact legislation to provide VA physicians a variable incentive bonus pay provision which provides comparable pay adjustment to that available to physicians in the uniformed services. The Veterans Administration will submit draft legislation to accomplish this shortly. This legislative authority would be effective July 1, 1975, and terminate on June 30, 1976, which is identical to the concluding date for Public Law 93-274, the "Special Pay Structure Relating to Medical Officers of the Uniformed Services Act".

However, a review of all available information does not suggest that our recruitment and retention of dentists and nurses are suffering to an equivalent degree on the basis of a disparity in reimbursement level. I, therefore, propose that the bonuses be limited to VA physicians. This would be consistent with the specific limitation Congress approved for the Department of Defense and the Department of Health, Education, and Welfare last year in Public Law 93-274, which restricted incentive pay to physicians only.

As noted earlier, the Administration has undertaken an evaluation of the effect of the variable incentive pay program on the recruitment and retention of physicians in the Department of Defense and the Department of Health, Education, and Welfare, with a view toward developing a more uniform and equitable approach to the problem of Federal physician compensation. It is our intention to also participate in this effort, including our own evaluation of the recommended VA variable bonus. Based upon the results of this evaluation, the Administration will also review or develop any necessary and appropriate legislative proposals as part of its Fiscal Year 1977 legislative program.

Accordingly, I respectively request that no action be taken on the proposals contained in H.R. 1545, H.R. 5979, and H.R. 6088.

Instead, we recommend that the Committee consider favorably the proposal I have outlined, and which we will submit to the Committee shortly. In view of the budgetary and equity considerations already mentioned, we would be unable to recommend that the President approve any legislation which would extend the incentive pay provision to other than physicians, or which would provide for benefits beyond the scope of the incentive pay proposal discussed above.

The estimated first year cost and total first five-year cost for each of the bills, is as follows:

	1st year	Total, 5 years
Bill:		
H.R. 1545	\$46,000,000	\$230,100,000
H.R. 5979	95,600,000	477,750,000
H.R. 6088	252,100,000	1,300,000,000

A more detailed breakdown of the costs for each of the first five years is enclosed as Attachment 1.

We are advised by the Office of Management and Budget that the enactment of H.R. 1545, H.R. 5979, or H.R. 6088, would not be in accord with the program of the President. However, enactment of the proposal we have outlined above, would be in accord with the program of the President.

Sincerely,

RICHARD L. ROUDEBUSH, *Administrator.*

Enclosure.

ATTACHMENT 1
COST ESTIMATES
[In thousands of dollars]

	Fiscal year—				
	1976	1977	1978	1979	1980
Estimated 5-yr costs for H.R. 1545 are as follows:					
New rates for sec. 4103 schedule.....	30	30	30	30	30
Additional pay for physicians, dentists, and nurses.....	41,000	41,000	41,000	41,000	41,000
Leave for pursuit of studies.....	5,000	5,000	5,000	5,000	5,000
Total.....	46,030	46,030	46,030	46,030	46,030
Estimated 5-yr costs for H.R. 5979 are as follows:					
New rates for top 3 D.M. & S. positions.....	48	48	48	48	48
Lifting \$36,000 ceiling.....	7,600	7,600	7,600	7,600	7,600
Additional pay for physicians, dentists, and nurses.....	41,000	41,000	41,000	41,000	41,000
LPN and nursing assistant pay adjustments.....	41,900	41,900	41,900	41,900	41,900
Leave for pursuit of studies.....	5,000	5,000	5,000	5,000	5,000
Total.....	95,548	95,548	95,548	95,548	95,548
Estimated 5-yr costs for H.R. 6088:					
New salary rates and ranges.....	233,287	233,287	233,287	233,287	233,287
Leave for pursuit of studies.....	5,000	5,000	5,000	5,000	5,000
Retirement credit.....	13,829	13,829	13,829	13,829	13,829
Total.....	252,116	252,116	252,116	252,116	252,116

VETERANS ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS,
Washington, D.C., May 29, 1975.

HON. CARL ALBERT,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: There is transmitted herewith a draft bill, "To authorize the payment for a one-year period of a variable allowance to assist in the recruitment and retention of certain physicians in the Department of Medicine and Surgery of the Veterans' Administration, and for other purposes", with the request that it be introduced and considered for enactment.

The stated purpose of the draft bill is to assist the Department of Medicine and Surgery of the Veterans Administration to attract and retain the services of highly qualified physicians. To accomplish that purpose, the Administrator would be authorized to pay, upon acceptance of a written agreement executed by an eligible physician employed by the Department of Medicine and Surgery, a variable allow-

ance of up to \$13,500 per annum for the period specified in the agreement. Any sum paid under this authority would be in accordance with regulations prescribed by the Administrator and approved by the President, and would be paid in such installments as prescribed in those regulations. Any amount paid to a physician would be in addition to the currently authorized basic salary, and would not be considered basic pay for purposes of Civil Service Retirement or other benefits related to basic pay.

The authority granted by this provision provides for the VA physician a pay adjustment similar to that currently available to physicians in the uniformed services. Also, the draft bill, in limiting the variable allowance to VA physicians, would be consistent with the specific limitation approved for the Department of Defense and the Department of Health, Education, and Welfare last year in Public Law 93-274, which restricted such additional pay to physicians only.

The draft bill also provides for a report by the Administrator to the Committees on Veterans' Affairs of the Senate and House of Representatives regarding the operation of the special pay program. The report would be submitted not later than April 30, 1976. Moreover, it also provides that the variable allowance authorized by section 1 would become payable July 1, 1975, and would expire on June 30, 1976. The proposed ending date for this authority is identical to the concluding date for similar benefits provided under Public Law 93-274.

It would be our intent to implement the provisions of the bill, if enacted, by granting to each eligible physician in the Department of Medicine and Surgery a basic allowance, in addition to pay otherwise authorized. In addition to the basic allowance, there would be allowances which recognize such individual factors as length of service, appointment on full-time status, appointment to positions of greater professional responsibility, and practice in selected scarce specialties. Physicians employed on a part-time or intermittent basis would be eligible to receive, on a prorated basis, most elements of the variable allowance, if an agreement is executed and accepted.

The variable allowance will be applied on a selective basis to those with responsibilities requiring the qualifications of a physician, serving both in Department of Medicine and Surgery field medical facilities and in Central Office, including the Chief Medical Director and the Deputy Chief Medical Director. This provision would exclude physicians in the director grade (hospital, center, domiciliary, and clinic directors), and would not apply to consultants and attendings, and other fee basis physicians, interns, non-career residents, and certain other categories of physicians as determined not to be appropriate by the Administrator. The variable allowance would not be granted to physicians of marginal competence or productivity.

Last year, the Chief Medical Director appointed a task force to review recruitment and retention of VA health care personnel. Such review was part of a Special Survey of Level of Quality of Patient Care at VA Hospitals and Clinics conducted by the VA at the request of the President. As the report indicated, a critical problem confronting the Department of Medicine and Surgery is the recruitment and

retention of an adequate staff of well qualified personnel to provide high quality health care.

The major deterrent to successful recruitment and retention of physicians, so vital to the performance of the mission of the Department of Medicine and Surgery, rests in inadequate pay schedules which preclude competitive remuneration for their services. Better pay is readily available through the private practice of medicine, in various categories of academic medicine, and in military medicine. Increasing numbers of career VA physicians are resigning to accept other positions.

The currently imposed \$36,000 per annum limitation places salary restriction on about 40 percent of the physicians now employed full-time in the Department of Medicine and Surgery. Some have been affected by this restriction for as long as five years, while, simultaneously, the cost of living has risen in excess of 33 percent. The alarming number of those under salary restriction has eroded, and will further erode, the competitive position of the Department of Medicine and Surgery in recruitment efforts and, more importantly, in retention of these key professionals.

Data regarding net income for physicians in the United States show that, in solo practice, the annual median income is about \$48,000; for group practice about \$66,000; strict full-time academic medicine (level comparable to VA Chief Grade 8 and above) \$48,000; academic geographic full-time \$56,000; and military medicine \$44,000, plus fringe benefits, bringing the total to about \$48,000. Comparing these income figures with the current \$36,000 salary ceiling imposed on VA physicians is ample explanation for VA's difficulty in competing for their services.

The VA's non-competitive salary position is now resulting in a continuing loss of United States trained full-time physicians, and their replacement by part-time and foreign trained physicians. Over the past two years, the total number of full-time VA physicians has increased from 5,225 to 5,408, an increase of 183 (3.4 percent), while the number of foreign medical graduate, full-time physician appointments increased from 1,338 to 1,643, an increase of 305 (18.5 percent). This constitutes a decrease of 122 in the total number of U.S. graduate full-time physicians, while at the same time the total number of foreign medical graduate full-time physicians rose 305. Thirty-one percent of the total full-time physician force in the VA are foreign medical graduates, which constitutes an overall 5 percent increase in the past two years. Currently, about 33 percent of the Psychiatry, 47 percent of the Pathology, and 45 percent of the Physical Medicine Specialists in the VA are foreign medical graduates.

A recent survey shows that, for calendar year 1974, 1,209 bona fide offers of full-time employment resulted in 794 declinations (66 percent) owing to inadequate salary. The number of professional staff has increased by 34 percent (6,007 to 8,040) over the past five years. Concomitantly, the number of full-time physicians has increased only 7 percent (5,048 to 5,408), while the number of part-time physicians

has increased 175 percent (959 to 2,632). Many career full-time physicians are reverting to part-time employment status which allows the option of outside employment. Many others, upon entry into the VA, will accept only part-time appointments so that they may earn additional income from other sources. Part-time employment often leads to management problems with split loyalties, and it also fosters conflicts for the physician where simultaneous demands for his services are made by VA needs and those of his private patients. Although part-time physicians fill a need in patient care, they cannot substitute fully for highly qualified full-time career physicians who constitute the backbone of VA medicine.

Therefore, in view of the foregoing, we request the enactment of the draft bill at the earliest possible date.

It is estimated that enactment of the draft bill would result in a cost for the one year of \$63 million.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this draft bill and that enactment of the draft bill would be in accord with the program of the President.

Sincerely,

RICHARD L. ROUDEBUSH, *Administrator*.

Enclosures.

[H.R.—94th Cong., 1st sess.]

A BILL To authorize the payment for a one-year period of a variable allowance to assist in the recruitment and retention of certain physicians in the Department of Medicine and Surgery of the Veterans' Administration, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in order to attract and retain the services of highly qualified physicians in the Department of Medicine and Surgery of the Veterans' Administration (hereinafter called the Department of Medicine and Surgery), and under regulations to be prescribed by the Administrator of Veterans' Affairs (hereinafter called the Administrator) and approved by the President, and notwithstanding section 5308 of title 5, section 4107 of title 38, or any other provision of law, the Administrator may, upon acceptance of a written agreement executed by an eligible physician employed by the Department of Medicine and Surgery, pay to such physician a variable allowance, not to exceed \$13,500 per annum for the period specified in such agreement. Any amount payable under such agreement may be paid in such installments as the Administrator by regulation shall prescribe.

SEC. 2. Any additional amount paid pursuant to the provisions of this Act shall not be considered as basic salary for the purposes of section 4107 of title 38, or of section 5595, chapter 81, 83, or 87 of title 5, or other benefits based on basic salary.

SEC. 3. The Administrator shall submit a written report to the Committees on Veterans' Affairs of the Senate and House of Representatives regarding the operation of the special pay program authorized

by this Act. The report shall be submitted not later than April 30, 1976.

SEC. 4. The provisions of this Act shall become effective on July 1, 1975, and shall expire on June 30, 1976.

ANALYSIS OF THE DRAFT BILL

The stated purpose of the draft bill is to assist the Department of Medicine and Surgery of the Veterans Administration to attract and retain the services of highly qualified physicians. To accomplish that purpose, Section 1 of the bill authorizes the Administrator of Veterans Affairs to pay, upon acceptance of a written agreement executed by an eligible physician employed by the DM&S, a variable allowance of up to \$13,500 per annum for the period specified in the agreement. Any sum paid under this authority would be in accordance with the regulations prescribed by the Administrator and approved by the President, and would be paid in such installments as prescribed in those regulations. Any amount paid to a physician would be in addition to the currently authorized basic salary, and would not be considered basic pay for purposes of Civil Service retirement or other benefits related to basic pay.

The new authority would provide for the VA physician similar pay to that currently available to physicians in the uniformed services. Also, in limiting the variable allowance to VA physicians, the draft bill would be consistent with the specific limitations approved for the Department of Defense and the Department of Health, Education, and Welfare last year in Public Law 93-274, which restricted such additional pay to physicians only.

It would be our intent to implement the provisions of the bill, if enacted, by granting to each eligible physician in the Department of Medicine and Surgery a basic allowance, in addition to pay otherwise authorized. In addition to the basic allowance, there would be allowances which recognize such individual factors as length of service, appointment on full-time status, appointment to positions of greater professional responsibility, and practice in selected scarce specialties. Physicians employed on a part-time or intermittent basis would be eligible to receive, on a prorated basis, most elements of the variable allowance, if an agreement is accepted.

Section 2 of the draft bill would provide that any additional pay received pursuant to this Act would not be considered as basic pay for the purposes of Civil Service retirement or other benefits related to basic pay.

Section 3 of the bill would require the Administrator to submit a written report to the Committees on Veterans' Affairs of the Senate and House of Representatives regarding the operation of the special pay program not later than April 30, 1976. This requirement would also be consistent with a similar provision of Public Law 93-274.

Section 4 of the draft bill provides that the variable allowance authorized by section 1 would become payable on July 1, 1975, and would expire on June 30, 1976. The proposed ending date for this au-

thority is identical to the concluding date for the benefits payable under Public Law 93-274, referred to above.

COMPARISON OF PHYSICIANS' SALARIES

At the request of the Committee, the Congressional Research Service of the Library of Congress was asked to make a comparison of physicians' salaries in the Veterans Administration, the Uniformed Services, and the private sector. On April 24, 1975, Miss Ilona Nemesnyik, Analyst in Social Legislation, Education and Public Welfare Division, submitted the following report:

INTRODUCTION

The purpose of this paper is to provide key facts about physicians' incomes in the Veterans' Administration, the Uniformed Services, and the private sector. This report was requested initially by the House Veterans Affairs Committee as background for oversight hearings held on the VA medical care system.

As of December 31, 1973, there were 366,379 physicians in the United States and its possessions. Of this number, 26,769 (7.3 percent) were employed by the Federal Government.

As the following data indicate, the current \$36,000 salary ceiling on VA professionals is substantially lower than Uniformed Services physicians and non-Federal physicians.

The following discussion represents information outlining the income differences within the above-mentioned categories.

I. VETERANS' ADMINISTRATION

Public Law 79-293 established within the Veterans' Administration the Department of Medicine and Surgery. A primary purpose of this Act was to insure adequate and complete medical service for the care and treatment of veterans. To that end, Public Law 79-293 provided for the employment and utilization of physicians, and other medical personnel to be in accordance with regulations prescribed by the Administrator of Veterans' Affairs.

Salaries of staff physicians are paid according to a seven-level grade structure authorized in 38 U.S.C. 4107(b) plus a statutory and ungraded level.

Statutory and Ungraded, \$32,806 minimum to \$46,336 maximum.¹

Director grade, \$34,607 minimum to \$43,839 maximum.¹

Executive grade, \$32,129 minimum to \$41,768 maximum.¹

Chief grade, \$29,818 minimum to \$38,764 maximum.¹

Senior grade, \$25,581 minimum to \$33,258 maximum.

Intermediate grade, \$21,816 minimum to \$28,359 maximum.

Full grade, \$18,463 minimum to \$23,998 maximum.

Associate grade, \$15,481 minimum to \$20,125 maximum.

¹ The salary for employees at these rates is limited by section 5308 of title 5 of United States Code to the rate of level V of the Executive Schedule, \$36,000.

As of September, 1974 the grade distribution of physicians within the Veterans Administration was as follows:

Statutory and ungraded	116
Director	41
Executive	146
Chief	3,603
Senior	1,438
Intermediate	53
Intermediate	8
Associate	3
Total	5,408

Of the 5,408 physicians presently within DM&S, 2,162 or 40 percent are affected by the \$36,000 salary limitation. The average salary for a VA physician is presently \$31,000.

II. UNIFORMED SERVICES (INCLUDING PUBLIC HEALTH SERVICES)

The law authorizing pay and allowances for both Uniformed Services physicians and Public Health Services physicians is title 37, United States Code. In addition to the Regular Military Compensation (which consists of basic monthly pay as prescribed in section 203, basic allowance for quarters as prescribed in section 403, basic allowance for subsistence as prescribed in section 402 and the Federal tax allowance which accrues because quarters and subsistence allowances are not taxable) there are several other provisions relating to physicians who serve in the Uniformed and Public Health Services.

Section 302 provides that an officer of the Army or Navy in the Medical Corps, an officer of the Air Force who is designated as a medical officer, or a medical officer of the Public Health Service, who is on active duty for a period of at least one year is entitled, in addition to any other pay or allowances to which he is entitled, to special pay at the following rates—

(1) \$100 a month for each month of active duty if he has not completed two years of active duty in a category named in this section (\$1,200 annually); or

(2) \$350 a month for each month of active duty if he has completed at least two years of active duty in a category named in this section (\$4,200 annually).

The amounts set forth in this section may not be included in computing the amount of an increase in pay authorized by any other provision of this title or in computing retired pay or severance pay. (This is referred to as "special pay" in the accompanying chart.)

The term "bonus pay" in the accompanying chart refers to the provisions in section 313 which provide an annual bonus of \$10,000 to \$13,500 per year for officers below the grade of 0-7 who have executed an agreement to serve between 1 and 4 years of active duty, and who are not serving an initial active duty obligation of 4 years or less, not serving the first 4 years of an initial obligation of more than 4 years, or who are not undergoing an intern or initial residency training. Bonus pay also refers to continuation pay (between \$6,000 and \$7,891) for officers grade 0-7 and above who have executed an agreement to remain on active duty for at least 1 additional year, paid at the rate of 4 months' basic pay for each additional year (37 USC 311).

Commissioned officers are assigned by the grade or rank in which serving to the following pay grades:

Pay grade	Army, Air Force, and Marine Corps	Navy and Coast Guard	Public Health Service
0-10	General	Admiral	
0-9	Lieutenant general	Vice admiral	
0-8	Major general	Rear admiral	Surgeon General, Deputy Surgeon General, Assistant Surgeon General having rank of major general.
0-7	Brigadier general	Rear admiral and commodore	Assistant Surgeon General having rank of brigadier general.
0-6	Colonel	Captain	Director grade.
0-5	Lieutenant colonel	Commander	Senior grade.
0-4	Major	Lieutenant commander	Full grade.
0-3	Captain	Lieutenant	Senior assistant grade.
0-2	1st lieutenant	Lieutenant (junior grade)	Assistant grade.
0-1	2d lieutenant	Ensign	Junior assistant grade.

Another category used in the accompanying chart is "obligated officers". This category includes all medical officers who have incurred an active duty service obligation except (1) officers serving an initial active duty obligation of 4 years or less, (2) officers serving the first 4 years of an initial active duty obligation of more than 4 years, or (3) officers undergoing intern or initial residency training. Obligated officers receive a bonus of \$6,000 to \$9,000 annually.

With regard to years of service, a medical officer's years of service for longevity purposes, i.e. for computation of pay, are counted from his date of entry into medical school, not his actual date of entry into active duty. Thus, in the "years" column of the chart, the sub-column labeled "Pract." indicates the actual time spent in the military service. The sub-column labeled "long." indicates the years of service for longevity purposes, computed here as the actual time spent in military service plus four years of medical school.

A factor which should be considered is the tax advantage on special pays which accrues due to the fact that the special pay boosts an individual into a higher tax bracket, making his non-taxable deductions from his regular military compensation more advantageous than if he had been in a lower tax bracket. This ranges from \$610 to \$1,488 annually.

Thus, Uniformed and Public Health Service physicians have total pay ranging from \$28,070 to \$55,594, depending on grade, length of service, and type of commitment.

The majority of military physicians (approximately 75%) are below the rank of 0-5, which brings the average total pay down to \$37,355. However, most of these physicians have less than 12 years professional experience. For those physicians with over 12 years experience the average total pay is \$43,039.

Another factor which should be mentioned, although difficult to qualify, is fringe benefits. Uniformed Services physicians are eligible for Post Exchange and Commissary privileges, Officers' Club, free health care for their dependents, liberal retirement benefits, etc.

The following chart shows the regular military compensation, special pay, bonus pay, tax advantage on special pays and total pay by grade, years of service, and type of commitment.

Grade	Years		RMC	Special pay	Bonus pay	Tax advantage on special pay	Total pay
	Practical	Longevity					
4-yr agreement:							
0-3	V2	V6	\$17,260	\$1,200	\$13,500	\$793	\$32,753
0-3	V2	V6	17,920	4,200	13,500	999	36,619
0-4	V2	V6	19,316	4,200	13,500	1,142	38,158
0-4	V2	V6	20,371	4,200	13,500	1,173	39,244
0-4	V2	V6	21,324	4,200	13,500	1,170	40,194
0-5	V2	V6	22,392	4,200	13,000	1,244	40,836
0-5	V2	V6	23,611	4,200	13,000	1,314	42,125
0-5	V2	V6	25,074	4,200	13,000	1,389	43,663
0-5	V2	V6	26,335	4,200	13,000	1,343	44,878
0-5	V2	V6	26,869	4,200	12,000	1,449	47,518
0-6	V2	V6	29,869	4,200	12,000	1,428	49,045
0-6	V2	V6	31,417	4,200	11,000	1,374	50,317
0-6	V2	V6	33,743	4,200	7,891	1,235	51,868
0-7	V2	V6	38,542	4,200	6,000	988	54,594
0-8	V2	V6	43,406	4,200	6,000	1,488	55,495
0-9	V2	V6	43,406	4,200	6,000	1,488	55,495
3-yr agreement:							
0-3	V2	V6	17,260	1,200	13,000	762	32,222
0-3	V2	V6	17,920	4,200	13,000	974	36,094
0-4	V2	V6	19,316	4,200	13,000	1,090	37,606
0-4	V2	V6	20,371	4,200	13,000	1,147	38,718
0-4	V2	V6	21,324	4,200	13,000	1,144	39,668
0-5	V2	V6	22,392	4,200	12,500	1,218	40,310
0-5	V2	V6	23,611	4,200	12,500	1,259	41,570
0-5	V2	V6	25,074	4,200	12,500	1,349	43,123
0-5	V2	V6	26,335	4,200	12,500	1,316	44,351
0-5	V2	V6	26,869	4,200	11,600	1,403	47,072
0-6	V2	V6	29,869	4,200	11,600	1,403	48,620
0-6	V2	V6	31,417	4,200	10,600	1,334	49,877
0-6	V2	V6	33,743	4,200	7,891	1,235	51,868
0-7	V2	V6	38,542	4,200	6,000	988	54,594
0-8	V2	V6	43,406	4,200	6,000	1,488	55,594
0-9	V2	V6	43,406	4,200	6,000	1,488	55,594
2-yr agreement:							
0-3	V2	V6	17,260	1,200	12,500	731	31,691
0-3	V2	V6	17,920	4,200	12,500	950	35,670
0-4	V2	V6	19,316	4,200	12,500	1,038	37,054
0-4	V2	V6	20,371	4,200	12,500	1,104	38,175
0-4	V2	V6	21,324	4,200	12,500	1,118	39,142
0-5	V2	V6	22,392	4,200	12,000	1,192	39,784
0-5	V2	V6	23,611	4,200	12,000	1,264	41,015
0-5	V2	V6	25,074	4,200	12,000	1,295	42,569
0-5	V2	V6	26,335	4,200	12,000	1,288	43,823
0-5	V2	V6	26,869	4,200	11,300	1,368	46,737
0-6	V2	V6	29,869	4,200	11,300	1,366	48,303
0-6	V2	V6	31,417	4,200	11,300	1,386	49,547
0-6	V2	V6	33,743	4,200	10,300	1,304	51,868
0-7	V2	V6	38,542	4,200	7,891	1,235	54,594
0-8	V2	V6	43,406	4,200	6,000	988	55,594
0-9	V2	V6	43,406	4,200	6,000	1,488	55,594
1-yr agreement:							
0-3	V2	V6	17,260	1,200	12,000	699	31,159
0-3	V2	V6	17,920	4,200	12,000	925	35,045
0-4	V2	V6	19,316	4,200	12,000	1,011	36,527
0-4	V2	V6	20,371	4,200	12,000	1,052	37,623
0-4	V2	V6	21,324	4,200	12,000	1,092	38,616
0-5	V2	V6	22,392	4,200	11,500	1,166	39,258
0-5	V2	V6	23,611	4,200	11,500	1,178	40,489
0-5	V2	V6	25,074	4,200	11,500	1,240	42,014
0-5	V2	V6	26,335	4,200	11,500	1,257	43,292
0-6	V2	V6	29,869	4,200	10,000	1,333	46,402
0-6	V2	V6	31,417	4,200	10,000	1,356	47,973
0-6	V2	V6	33,743	4,200	10,000	1,274	49,217
0-7	V2	V6	38,542	4,200	7,891	1,235	51,868
0-8	V2	V6	43,406	4,200	6,000	988	54,594
0-9	V2	V6	43,406	4,200	6,000	1,488	55,594
Obligated officers:							
0-3	V2	V6	\$17,260	\$1,200	9,000	610	28,070
0-3	V2	V6	17,920	4,200	9,000	713	31,833
0-4	V2	V6	19,316	4,200	9,000	803	33,324
0-4	V2	V6	20,371	4,200	9,000	874	34,445
0-4	V2	V6	21,324	4,200	9,000	869	35,963
0-5	V2	V6	22,392	4,200	9,000	942	36,534
0-5	V2	V6	23,611	4,200	9,000	990	37,801
0-5	V2	V6	25,074	4,200	9,000	1,053	39,332
0-5	V2	V6	26,335	4,200	9,000	1,009	40,544
0-6	V2	V6	29,869	4,200	9,000	1,148	44,217
0-6	V2	V6	31,417	4,200	9,000	1,125	45,742
0-6	V2	V6	33,743	4,200	9,000	1,204	48,147
0-7	V2	V6	38,542	4,200	7,891	1,235	51,868
0-8	V2	V6	43,406	4,200	6,000	988	54,594
0-9	V2	V6	43,406	4,200	6,000	1,488	55,594

1 Includes tax advantage on \$500 personal money allowance.
2 Includes \$500 personal money allowance.

III. NON-FEDERAL

Information on physicians' incomes in the private sector comes primarily from the 1974 Edition Reference Data on Profile of Medical Practice, American Medical Association, the Medical Economics Company, and another CRS report, "Facts About Physicians' Fees and Incomes."

These incomes are divided into three categories: (1) office-based physicians (which, as of December 31, 1973 comprised 59.6 percent of the non-Federal physicians in the U.S.); (2) physicians in hospital-based practice (accounting for 22.1 percent of the physicians); and (3) physicians in other professional activities or inactive (which comprise 18.3 percent).

The levels of, and variations in physicians' net incomes depend on three basic factors: fees charged by the physicians; the quantity of services provided; and the expenses incurred in delivering the services.

According to the AMA, surgeons realized the highest average incomes in 1973 and psychiatrists and pediatricians reported the lowest average incomes. When classified according to type of practice, solo practitioners were slightly below average for all physicians. Physicians in groups of 26 and over reported the lowest average incomes in 1971-1973 while physicians in two-man practices were among the highest.

According to the AMA, the following chart represents the percentage distribution of U.S. physicians by estimated net (after expenses) income, 1973:

	Percent
\$71,000 and over	15.8
\$61,000-\$70,000	8.9
\$51,000-\$60,000	14.6
\$41,000-\$50,000	18.1
\$31,000-\$40,000	18.5
\$21,000-\$30,000	14.5
\$0-\$20,000	9.6

INCOMES OF OFFICE-BASED PHYSICIANS

Incomes of office-based physicians essentially means those physicians providing care from their private office, as opposed to hospital-based physicians, physicians engaged in administration, research, medical teaching, and other fields.

Incomes of office-based physicians are net incomes, after business expenses are deducted.

AVERAGE NET INCOME AND EXPENSES BY SPECIALTY, 1971, 1972, AND 1973 (ACCORDING TO THE AMA)

Specialty	1971		1972		1973	
	Net income	Expenses	Net income	Expenses	Net income	Expenses
Total	\$45,278	\$28,523	\$47,240	\$30,883	\$49,415	\$38,066
General practice	39,823	31,537	41,277	34,092	42,336	36,238
Internal medicine	42,869	28,000	44,692	30,878	47,229	33,503
Surgery	54,045	32,409	56,041	35,039	58,774	37,932
Obstetrics-gynecology	51,062	32,609	53,165	35,829	57,119	38,199
Pediatrics	38,503	28,341	38,879	29,732	40,337	31,575
Psychiatry	37,248	12,757	39,124	13,873	40,027	15,152
Anesthesiology	47,293	12,080	49,536	13,372	51,847	14,687
Other	46,026	28,964	48,783	30,183	51,520	31,676

INCOMES OF HOSPITAL-BASED PHYSICIANS

Hospital-based practice refers to physicians whose principal professional activity is in the hospital, as opposed to private offices. Examples of hospital-based physicians are anesthesiologists, radiologists, pathologists, chiefs of services, and directors of outpatient departments.

A majority of these physicians are salaried, as opposed to receiving fee-for-service compensation. The principal exceptions are anesthesiologists, who earn their incomes primarily through fees, and pathologists and radiologists, who earn their incomes primarily through a variety of payment arrangements.

According to Robert Blakely in an article in "Modern Hospitals", August 1973, the salary range for medical directors and chiefs of service for hospitals was \$30,000 to \$40,000 in 1972, excluding fringe benefits. By including fringe benefits, it would appear that incomes of these two classes of physicians are generally competitive with physicians in like specialties in the communities served by hospitals.

Regarding incomes of other hospital-based physicians, experts frequently make the point that incomes of hospital-based physicians must be competitive to attract them. They also point out, however, that many hospital physicians may view practice in a hospital as a stepping stone to establishing office-based practice, hence they may be younger, and may stay a relatively short period of time with a hospital before leaving. In addition, because the duties of hospital-based physicians include such "unattractive" activities as emergency room service and the staffing of outpatient clinics, it may be necessary to hire an unusually large number of foreign graduates or American trained physicians with low earning capacities. These factors tend to depress median incomes for hospital-based physicians.

Having the opposite impact on hospital-based incomes are the incomes of pathologists and radiologists. No published surveys of incomes of radiologists or pathologists in recent years are available to provide a relatively accurate picture of median incomes of these two specialties. According to the Blakely article, 15 percent of physicians in each of the two specialty groups had incomes from hospitals in excess of \$89,000 in 1972. Median incomes for all radiologists and pathologists who were hospital-based could not be accurately ascertained from the cited study because the data came from individual hospitals, and both radiologists and pathologists may work for more than one hospital, in addition to earning incomes through private office practice and from other sources. The data that are available, however, suggest that the median incomes of radiologists and pathologists are substantially higher than the median incomes of the five office-based specialties that were examined as well as overall median incomes of physicians.

INCOMES OF PHYSICIANS ENGAGED IN OTHER PROFESSIONAL ACTIVITY

Approximately 11.5 percent of all non-Federal physicians are engaged in other professional activities including medical teaching administration (2.9 percent), research (2.1 percent) and other activities (4.8 percent).

The incomes of these physicians generally are substantially less than physicians in like specialties who were in office and hospital-based practices. According to the Association of American Medical Colleges, incomes of medical school-affiliated physicians, which includes physicians in medical teaching, research and in some cases administration, are 15 to 20 percent less than physicians in like specialties in office and hospital-based practices.

Income data on faculty physicians' from the Association of American Medical Colleges, fiscal year 1973

	Median income
Clinical Science Department:	
Strict Full Time ¹	\$32,000
Geographical Full Time ²	38,000
Basic Science Department: Strict full time.....	22,000

¹ Strict full-time medical school faculty are those who receive their entire professional income as a fixed annual amount from the medical school or its parent institution.

² Geographical full-time medical school faculty are those who receive a guaranteed base salary generally paid by the medical school, but who may earn income from professional activities. There may or may not be limits established by the medical school as to the amounts the physician can earn from those professional activities, or limits on the amount he may keep.

The salary figures listed in the table above do not include fringe benefits, which were estimated at 17.5 percent in order to estimate the 15 to 20 percent differences between incomes of medical school faculty and office and hospital-based physicians mentioned above.

Surveys are not available for administrative physicians, which would include hospital administrators, State and Local Health Officers, directors of public institutions, etc. However, a review of job openings for administrative physicians in the Journal of Public Health showed a wide range of salaries, depending upon the job responsibilities, and other factors. The median salary offered was \$27,000 plus fringe benefits.

IV. SUMMARY

In comparing the incomes of VA physicians, Uniformed Services physicians and non-Federal physicians, the current \$36,000 salary ceiling on VA professionals is substantially lower than the other two categories.

Data regarding average net income for physicians in the United States show that the average net income for non-Federal physicians is \$49,415; physicians in group practice about \$52,000; strict full-time academic medicine \$37,600 (including fringe benefits estimated at 17.5 percent); academic geographic full-time \$38,650 (including fringe benefits estimated at 17.5 percent); military medicine \$37,355; and VA physicians \$31,000.

Data regarding the top salaries for physicians in the United States show that 57.4 percent of the private physicians have net incomes over \$41,000; 40 percent of the VA physicians are affected by the \$36,000 limitation; 69 percent of the military physicians have incomes over \$37,000.

It should also be noted that among the military physicians, over 75 percent have less than 12 years professional experience, based on Army statistics. For those with over 12 years experience the average salary is \$43,039. The average salary after 12 years experience in the VA is \$36,000 or less; for physicians in the private sector \$46,538.

Among the highest incomes for physicians, the highest paid VA physicians earn \$36,000; the highest paid uniformed services physicians earn \$55,594; among the non-Federal physicians, 15.8 percent earn over \$71,000 net.

The following chart summarizes the above four paragraphs:

SUMMARY OF PHYSICIANS' SALARIES (INCLUDING FRINGE BENEFITS), 1974

	VA	Uniformed services.....	Non-Federal
Average.....	\$31,000	\$37,355	\$49,415 (group practice, \$52,000; strict full-time academic, \$37,600; academic geographic full time \$38,650).
Top salaries.....	40 percent affected by \$36,000.	69 percent over \$37,000.	57.4 percent over \$41,000.
Over 12 years experience.....	\$36,000 or less.	\$43,039	\$46,538.
Highest incomes.....	\$36,000	\$55,594	15.8 percent over \$71,000.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

* * * * *

CHAPTER 73—DEPARTMENT OF MEDICINE AND SURGERY

* * * * *

Subchapter I—Organization; General

* * * * *

§ 4107. Grades and pay scales

(a) The per annum full-pay scale or ranges for positions provided in section 4103 of this title [, other than Chief Medical Director and Deputy Chief Medical Director,] shall be as follows:

Section 4103 Schedule

[Associate Deputy Chief Medical Director, at the annual rate provided in section 5316 of title 5 for positions in level V of the Executive Schedule.

[Assistant Chief Medical Director, \$41,734.

[Medical Director, \$36,103 minimum to \$40,915 maximum.]

Chief Medical Director, \$56,000.

Deputy Chief Medical Director, \$54,000.

Associate Deputy Chief Medical Director, \$52,000.

Assistant Chief Medical Director, \$50,000.

Medical Director, \$40,000 minimum to \$49,000 maximum.

Director of Nursing Service, \$36,103 minimum to \$40,915 maximum.
Director of Chaplain Service, \$31,203 minimum to \$39,523 maximum.

Director of Pharmacy Service, \$31,203 minimum to \$39,523 maximum.

Director of Dietetic Service, \$31,203 minimum to \$39,523 maximum.

Director of Optometry, \$31,203 minimum to \$39,523 maximum.

(b)(1) The grades and per annum full-pay ranges for positions provided for in paragraph (1) of section 4104 of this title shall be as follows:

Physician and Dentist Schedule

Director grade, \$31,203 minimum to \$39,523 maximum.

Executive grade, \$28,996 minimum to \$37,699 maximum.

Chief grade, \$26,898 minimum to \$34,971 maximum.

Senior grade, \$23,088 minimum to \$30,018 maximum.

Intermediate grade, \$19,700 minimum to \$25,613 maximum.

Full grade, \$16,682 minimum to \$21,686 maximum.

Associate grade, \$13,996 minimum to \$18,190 maximum.

Physician and Dentist Schedule

Director grade, \$39,000 minimum to \$48,000 maximum.

Executive grade, \$33,000 minimum to \$47,000 maximum.

Chief grade, \$35,000 minimum to \$46,000 maximum.

Senior grade, \$28,000 minimum to \$37,000 maximum.

Intermediate grade, \$23,000 minimum to \$31,000 maximum.

Full grade, \$20,000 minimum to \$26,000 maximum.

Associate grade, \$17,000 minimum to \$23,000 maximum.

Nurse Schedule

Director grade, \$26,898 minimum to \$34,971 maximum.

Assistant Director grade, \$23,088 minimum to \$30,018 maximum.

Chief grade, \$19,700 minimum to \$25,613 maximum.

Senior grade, \$16,682 minimum to \$21,686 maximum.

Intermediate grade, \$13,996 minimum to \$18,190 maximum.

Full grade, \$11,614 minimum to \$15,097 maximum.

Associate grade, \$10,012 minimum to \$13,018 maximum.

Junior grade, \$8,572 minimum to \$11,146 maximum.

(2) No person may hold the director grade in the "Physician and Dentist Schedule" unless he is serving as a director of a hospital, domiciliary, center, or outpatient clinic (independent). No person may hold the executive grade unless he holds the position of chief of staff at a hospital, center, or outpatient clinic (independent), or comparable position.

* * * * *

[(d) The limitations in section 5308 of title 5 shall apply to pay under this section.]

(d) Except with respect to the pay provided for the Chief Medical Director and the Deputy Chief Medical Director under subsection (a)

of this section, and except as provided in subsection (f) of this section, the limitations in section 5308 of title 5 shall apply to pay under this section. Notwithstanding any other provision of law and except as provided in subsection (f) of this section, pay may not be paid to the Chief Medical Director and to the Deputy Chief Medical Director at a rate in excess of the rate of basic pay for levels III and IV, respectively, of the Executive Schedule.

(f) (1) In order to attract and to retain the services of highly qualified physicians and dentists in the Department of Medicine and Surgery, the Administrator, under such regulations as he shall prescribe, may pay to any physician or dentist employed on a full-time basis by such Department special pay of \$5,000 per annum in the case of a physician and \$2,500 per annum in the case of a dentist. The amount of special pay paid under this paragraph during the fifty-two-week period beginning on the effective date of this subsection to any physician or dentist shall, if the annual basic salary rate of such physician or dentist under subsection (b) (1) is less than \$36,000 on such effective date, be reduced by the difference between the annual basic salary rate of such physician or dentist in effect on the day before such effective date and the annual basic salary rate in effect on such effective date.

(2) In order to attract and to retain the services of highly qualified physicians and dentists in the Department of Medicine and Surgery, the Administrator may pay, in addition to the special pay provided \$8,500 per annum to any physician employed on a full-time basis and not to exceed \$4,250 per annum to any dentist employed on a full-time basis. Such incentive pay may be paid in such amounts, at such times, and subject to such conditions as the Administrator shall by regulation prescribe. In promulgating regulations to carry out the purposes of this paragraph, the Administrator shall take into account only the following factors and may pay no more than the indicated per annum amounts to each physician eligible therefor, or proportional amounts to each dentist eligible therefor:

(A) appointment to full-time status, \$1,000;

(B) tenure of service within the Department of Medicine and Surgery of—

(i) from 3 to 6 years, \$500;

(ii) from 6 to 9 years, \$1,500;

(iii) from 9 to 12 years, \$2,000;

(iv) from 12 or more years, \$2,500;

(C) scarcity of medical or dental specialty, \$2,000;

(D) Board certification, \$1,000;

(E) professional responsibility in the case of—

(i) Service Chief and Assistant Chief of Staff, \$2,000;

(ii) Executive Grade, \$3,500;

(iii) Director Grade and Deputy Service Director, \$3,750;

(iv) Service Director, \$4,250;

(v) Deputy Assistant Chief Medical Director, \$4,500;

(vi) Chief Medical Director, Deputy Chief Medical Director, Associate Deputy Chief Medical Director, Assistant Chief Medical Director, \$5,000.

(3) (A) The limitations in section 5308 of title 5 shall not apply to special pay and incentive pay payable under this subsection.

(B) Any special pay or incentive pay paid to any individual pursuant to this subsection—

(i) shall be in addition to any other pay and allowance to which such individual may be entitled; and

(ii) shall not be deemed to be compensation for purposes of subchapter VI and section 5595 of chapter 55, chapter 81, 83, or 87 of title 5 or for purposes of any other benefit based on basic pay.

§ 4114. Temporary full-time, part-time, and without compensation appointments; residencies and internships.

(a) (1) The Administrator, upon the recommendation of the Chief Medical Director, may employ, without regard to civil service or classification laws, rules, or regulations—

(A) physicians, dentists, nurses, dietitians, social workers, librarians, and other professional, clerical, technical, and unskilled personnel (including interns, residents, trainees, and students in medical support programs) on a temporary full-time, part-time, or without compensation basis; and

(B) physicians, dentists, nurses, and other professional and technical personnel on a fee basis.

(2) Personnel employed under paragraph (1) of this subsection shall be in addition to personnel described in section 4103, paragraph (1) of section 4104, and section 4111 of this title and shall be paid such rates of pay as the Administrator may prescribe. Temporary full-time physicians and dentists employed under paragraph (1) of this subsection may be paid special pay and incentive pay in the same amounts and under the same conditions as provided in section 4107(f) of this title for other full-time physicians and dentists. Part-time physicians and dentists employed under paragraph (1) of this subsection on a half-time or more basis may be paid such special pay and incentive pay at the same per annum rate and under the same conditions as provided in section 4107(f) of this title for full-time physicians and dentists; except that (A) no part-time physician may be paid an aggregate amount of basic pay, special pay, or incentive pay in excess of \$41,000 per annum, and (B) no part-time dentist may be paid an aggregate amount of basic pay, special pay, or incentive pay in excess of \$36,000 per annum.

TITLE 5, UNITED STATES CODE

CHAPTER 53—PAY RATES AND SYSTEMS

SUBCHAPTER II—EXECUTIVE SCHEDULE PAY RATES

§ 5314. Position at level III

Level III of the Executive Schedule applies to the following positions, for which the annual rate of basic pay is \$40,000:

(1) * * *

* * * * *

[(38) Chief Medical Director in the Department of Medicine and Surgery, Veterans' Administration.]

* * * * *

§ 5315. Positions at level IV

Level IV of the Executive Schedule applies to the following positions, for which the annual rate of basic pay is \$38,000:

(1) * * *

* * * * *

[(31) Deputy Chief Medical Director in the Department of Medicine and Surgery, Veterans' Administration.]

* * * * *

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94TH CONGRESS }
1st Session }

SENATE

{ REPORT
No. 94-325

VETERANS' ADMINISTRATION PHYSICIAN PAY
**VETERANS' ADMINISTRATION PHYSICIAN
PAY COMPARABILITY ACT OF 1975**

July 23 (legislative day July 21), 1975.—Ordered to be printed.

REPORT

OF THE

COMMITTEE ON VETERANS' AFFAIRS

UNITED STATES SENATE

TO ACCOMPANY

S. 1711



JULY 23 (legislative day JULY 21), 1975.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

VETERANS' ADMINISTRATION PHYSICIAN PAY
COMPARABILITY ACT OF 1975

JULY 23 (legislative day JULY 21), 1975.—Ordered to be printed

Mr. CRANSTON (for Mr. HARTKE), from the Committee on Veterans' Affairs, submitted the following

REPORT

TOGETHER WITH
MINORITY VIEWS

[To accompany S. 1711]

The Committee on Veterans' Affairs, to which was referred the bill (S. 1711) to amend title 38, United States Code, to provide special pay and other improvements designed to enhance the recruitment and retention of physicians, dentists, nursing personnel, and other health care personnel in the Department of Medicine and Surgery of the Veterans' Administration, and for other purposes, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill, as amended, do pass.

COMMITTEE AMENDMENT

The amendment is as follows:

Strike out all after the enacting clause as follows:

That this Act may be cited as the "Veterans' Administration Physician Pay Comparability Act of 1975".

Sec. 2. Section 4107 of title 38, United States Code, is amended by—

(1) striking out the comma and "other than the Chief Medical Director and Deputy Chief Medical Director," after "title" in the first sentence of subsection (a);

(2) striking out in subsection (a) the following: "Associate Deputy Chief Medical Director, at the annual rate provided in section 5316 of title 5 for positions in level V of the Executive Schedule."

and inserting in lieu thereof the following:

"Chief Medical Director, \$49,700.

"Deputy Chief Medical Director, \$48,500.

"Associate Deputy Chief Medical Director, \$47,300.";

(1)

COMMITTEE ON VETERANS' AFFAIRS

VANCE HARTKE, Indiana, *Chairman*HERMAN E. TALMADGE, Georgia
JENNINGS RANDOLPH, West Virginia
ALAN CRANSTON, California
RICHARD (DICK) STONE, FloridaCLIFFORD P. HANSEN, Wyoming
STROM THURMOND, South Carolina
ROBERT T. STAFFORD, Vermont
WILLIAM L. SCOTT, VirginiaFRANK J. BRIZZI, *Staff Director*GUY H. McMICHAEL III, *General Counsel*

SUBCOMMITTEE ON HEALTH AND HOSPITALS

ALAN CRANSTON, California, *Chairman*JENNINGS RANDOLPH, West Virginia
RICHARD (DICK) STONE, FloridaSTROM THURMOND, South Carolina
CLIFFORD P. HANSEN, Wyoming

(II)

[(3) inserting "and special pay" after "salary rate" each place it appears in subsection (c); and

[(4) striking out "The" at the beginning of subsection (d) and inserting in lieu thereof "(1) Except as provided in paragraph (2) of this subsection," and by adding at the end of such subsection a new paragraph as follows:

["(2) Notwithstanding the provisions of paragraph (1) of this subsection or any other provision of law, in order to obtain and retain the services of highly qualified and scarce specialty physicians in the Department of Medicine and Surgery, the Administrator, pursuant to regulations which he shall prescribe (without regard to any regulations prescribed by the Secretary of Defense or the Secretary of Health, Education, and Welfare) is authorized and directed to exercise the authority contained in section 313 of title 37, except to the extent that the provisions of such section are clearly not applicable to conditions of employment in the Veterans' Administration or not consistent with the provisions of this paragraph, for the purpose of providing, in addition to any other pay or allowance to which such individual is entitled, special pay, in the nature of a variable incentive bonus, to any physician employed in the Department of Medicine and Surgery. The Administrator shall exercise the authority contained in such section so as to provide—

[(A) the maximum amount of such special pay to the Chief Medical Director, Deputy Chief Medical Director, and Associate Deputy Chief Medical Director, in the Department of Medicine and Surgery;

[(B) base special pay of 45 per centum of such maximum amount to any (i) full-time physician, or (ii) part-time physician as to whom the Chief Medical Director determines, in accordance with such regulations, that the medical needs of such Department in such geographical area or medical specialty require only such less-than-full-time employment arrangement; or

[(C) base special pay of not more than 30 per centum of such maximum amount to any part-time physician in the Department of Medicine and Surgery as to whom the Chief Medical Director has not made the determination described in clause (B) of this sentence.

The Administrator may, in accordance with such regulations, also exercise the authority contained in such section in order to provide, in addition to the base special pay provided for in clause (B) or (C) of the preceding sentence, additional special pay in consideration of the scarcity of the medical specialty, tenure, education, and responsibilities of the physician involved and the geographical area in question, but, in the case of a part-time physician, the amount of such additional special pay shall be adjusted in proportion to the proportion of full-time employment which the part-time employment of such physician constitutes. The authority provided to the Administrator in this paragraph shall expire on the date on which the authority in such section 313 expires.

["(3) Any additional compensation paid pursuant to paragraph (2) of this subsection shall not be considered as basic compensation for the purposes of subchapter VI and section 5595 of subchapter IX of chapter 55, chapter 81, 83, or 87 of title 5, or other benefits based on basic compensation."

[Sec. 3. Title 5, United States Code, is amended by—

[(1) striking out in section 5314 the following:

["(38) Chief Medical Director in the Department of Medicine and Surgery, Veterans' Administration."; and

[(2) striking out in section 5315 the following:

["(31) Deputy Chief Medical Director in the Department of Medicine and Surgery, Veterans' Administration.".

[Sec. 4. (a) The Administrator of Veterans' Affairs shall submit a report each year to the Committees on Veterans' Affairs of the Senate and House of Representatives regarding the operation of the special pay program authorized by section 4107(d)(2) of title 38, United States Code, as amended by section 2(4) of this Act. The report shall be on a fiscal year basis and shall contain—

[(1) a review of the program to date for the fiscal year for which the report is submitted; and

[(2) any plans for the program for the succeeding fiscal year.

This report shall be submitted not later than April 30 of each year.

[(b) The Director of the Office of Management and Budget, after consultation with the Administrator of Veterans' Affairs, the Secretary of Defense, the Secretary of Health, Education, and Welfare, the Chairman of the Civil Service Com-

mission, and the heads of other appropriate Federal departments and agencies, shall submit to the appropriate committees of the Senate and House of Representatives not later than March 1, 1976, a report proposing a permanent legislative solution to the problem of attracting and retaining the services of highly qualified physicians and other health care personnel in the Veterans' Administration, other nonuniformed Federal service, and the uniformed services, along with a justification for such proposal. Such proposal shall, to the maximum extent feasible, provide for uniform pay, allowances, and benefits for all such physicians and personnel.

[Sec. 5. Chapter 73 of title 38, United States Code, is amended as follows:

[(a) Clause (1) of section 4104 is amended to read as follows:

["(1) Physicians, dentists, nurses, physicians' assistants, and dental therapists;".

[(b) Section 4105 is amended by—

[(1) inserting at the end of subsection (a) a new paragraph as follows:

["(8) Physicians' assistants and dental therapists shall have such medical or dental and technical qualifications and experience as the Administrator shall prescribe."; and

[(2) striking out in subsection (b) "or nurse" and inserting in lieu thereof "nurse, physicians' assistant, or dental therapist".

[(c) Section 4106 is amended by adding at the end thereof the following new subsection:

[(f) The provisions of this section shall apply to physicians' assistants and dental therapists.".

[(d) Section 4107 is amended by—

[(1) striking out the period at the end of the third sentence of paragraph (5) of subsection (e) and inserting in lieu thereof a comma and "except as voluntarily requested in writing by the nurse in question";

[(2) adding at the end of subsection (e) the following new paragraph:

["(10) The provisions of this subsection shall apply, in lieu of the provisions of sections 5542, 5543, 5545 (a) and (b), and 5546 of title 5 with respect to any licensed practical nurse, licensed vocational nurse, or nursing assistant employed by the Department of Medicine and Surgery."; and

[(3) inserting at the end thereof the following new subsections:

[(f) Under standards which the Administrator shall prescribe in regulations, physicians' assistants and dental therapists shall be compensated by use of Nurse Schedule grade titles and related pay ranges and shall be entitled to additional pay on the same basis as provided for nurses in paragraphs (2) through (8) of subsection (e) of this section.

[(g) When he finds such action to be necessary in order to obtain or retain the services of dentists, nurses, physicians' assistants, dental therapists, licensed practical or vocational nurses, or nursing assistants, to provide hospital care and medical services for veterans, the Administrator, notwithstanding any other provision of law, shall increase the maximum rates of pay authorized under this chapter or title 5, on a nationwide, local, or other geographical basis, for one or more grades or for one or more medical or dental fields within the grades, to provide pay commensurate with competitive pay practices or to meet staffing requirements at geographically remote facilities. Any such increase in the maximum rate for any grade may not exceed in corresponding amount, the amount provided for in the statutory range for that grade, nor exceed the rate established for Assistant Chief Medical Director under the "section 4103 schedule" set forth in subsection (a) of this section."

[(e) Section 4108 is amended by—

[(1) striking out in the language preceding clause (1) in subsection (a) "and nurses" and inserting in lieu thereof a comma and "nurses, physicians' assistants, and dental therapists"; and

[(2) striking out "or nurse" in the same language in such subsection and in clause (6)(B) thereof and inserting in lieu thereof in each case "nurse, physicians' assistant, or dental therapist".

[Sec. 6. (a) Except as provided in subsection (b), the amendments made by this Act shall become effective on July 1, 1975.

[(b)(1) The amendments to the "section 4103 schedule" in section 4107 of title 38, United States Code, made by clauses (1), (2), and (3) of section 2 of this Act shall not serve to reduce the per annum salary rate payable thereunder to persons serving as Chief Medical Director or Deputy Chief Medical Director on the day before the date of enactment of this Act.

[(2) The amendments made by subsections (d) and (e) of section 5 of this Act shall become effective beginning the first pay period following thirty days after the date of enactment of this Act.]

and insert in lieu thereof the following:

That this Act may be cited as the "Veterans' Administration Physician Pay Comparability Act of 1975".

SEC. 2. (a) The Congress hereby finds and declares (1) that the ceiling on the salary of physicians employed in the Department of Medicine and Surgery due to the Federal salary limitation under the Executive Schedule pay rates in title 5, United States Code, accompanied by the sharp escalation in the cost of living since those rates of pay were last increased in 1969 has seriously impaired the recruitment and retention of qualified physicians by the Department of Medicine and Surgery in the Veterans' Administration; and (2) that the compensation provided to physicians in the Department of Medicine and Surgery has been rendered noncompetitive by virtue of the payment of special pay of up to \$13,500 per annum, in addition to basic compensation and other benefits, to certain physician medical officers of the uniformed services, pursuant to Public Law 93-274. The Congress further finds and declares that these recruitment and retention difficulties have created an inequitable and demoralizing situation with respect to physicians employed in the Department of Medicine and Surgery that threatens to erode seriously the ability of the Department to compete for the services of qualified physicians and thereby to continue to provide quality health care to eligible veterans.

(b) Section 4107 of title 38, United States Code, is amended by—

(1) striking out the comma and "other than Chief Medical Director and Deputy Chief Medical Director," after "title" in the first sentence of subsection (a);

(2) striking out in subsection (a) the following: "Associate Deputy Chief Medical Director, at the annual rate provided in section 5316 of title 5 of the United States Code for positions in level V of the Executive Schedule."

and inserting in lieu thereof the following:

"Chief Medical Director, \$49,700.

"Deputy Chief Medical Director, \$48,500.

"Associate Deputy Chief Medical Director, \$47,300."; and

(3) amending subsection (d) to read as follows:

"(d) Notwithstanding any other provision of law, and except as provided in section 4118 of this title, pay may not be paid at a rate in excess of the rate of basic pay for an appropriate level authorized by section 5314, 5315, or 5316 of title 5 for positions in the Executive Schedule, as follows:

"(1) Level III for the Chief Medical Director;

"(2) Level IV for the Deputy Chief Medical Director; and

"(3) Level V for all other positions for which such pay is paid under this section."

(c) Title 5, United States Code, is amended by—

(1) striking out in section 5314 the following:

"(38) Chief Medical Director in the Department of Medicine and Surgery, Veterans' Administration."; and

(2) striking out in section 5315 the following:

"(31) Deputy Chief Medical Director in the Department of Medicine and Surgery, Veterans' Administration."

(d)(1) Subchapter I of chapter 73 of title 38, United States Code, is amended by adding at the end thereof the following new section:

"§ 4118. Special pay for physicians

"(a)(1) Notwithstanding the provisions of section 4107(d) or any other provision of law, in order to obtain and retain the services of highly qualified physicians in professional and administrative positions in the Department of Medicine and Surgery, the Administrator, pursuant to regulations which he shall prescribe, is authorized and directed to provide, in addition to any pay or allowance to which such physician is entitled, special pay, in the nature of a variable incentive annual bonus, of up to \$13,500 per annum, to any physician employed in the Department of Medicine and Surgery, except as provided in paragraph (2) of this subsection, upon acceptance, and for the duration, of a written agreement executed by such physician to complete a specified number of years of service in the Department.

"(2) The Chief Medical Director, pursuant to such regulations, may determine categories of professional positions in the Department of Medicine and Surgery as to which there is no significant recruitment and retention problem in securing the services of highly qualified physicians. Physicians serving in such positions shall not be eligible for special pay under this section. The Chief Medical Director shall review annually each such determination.

"(b)(1) The Administrator shall exercise the authority contained in this section to provide—

"(A) the maximum amount of such special pay to the Chief Medical Director, Deputy Chief Medical Director, and Associate Deputy Chief Medical Director in the Department of Medicine and Surgery;

"(B) base special pay of 45 per centum of such maximum amount to any eligible full-time physician appointed under this chapter; or

"(C) the proportion of such 45 per centum which equals the proportion of full-time employment which the part-time employment of such physician constitutes, to any eligible part-time physician appointed under this chapter.

"(2) The Administrator may, in accordance with such regulations, provide, in addition to the base special pay provided for in paragraph (1) of this subsection, additional special pay, not to exceed 55 per centum of the maximum amount of such special pay specified in subsection (a)(1), to physicians described in clauses (B) and (C) of paragraph (1) of this subsection in consideration of the scarcity of the medical specialty, the tenure, the education, and the responsibilities of the physician involved and the extent to which veterans in the geographical area in question are medically underserved by the appropriate Veterans' Administration facility, but, in the case of a part-time physician, the amount of such additional special pay shall be reduced (A) in proportion to the proportion of full-time employment which the part-time employment of such physician constitutes, and (B) by an additional amount which equals 33½ per centum of the amount of base special pay to which a full-time physician would be entitled under paragraph (1)(B) of this subsection.

"(c)(1) Any agreement entered into by a physician under this section shall be with respect to a period of one year of service in the Department of Medicine and Surgery unless the physician requests an agreement for a longer period of service not to exceed four years.

"(2) Any such agreement shall (A) provide that the physician, in the event that such physician voluntarily, or because of misconduct, fails to complete at least one year of service pursuant to such agreement, shall be required to refund the total amount received under this section, unless the Chief Medical Director, pursuant to the regulations prescribed under this section, determines that such failure is necessitated by circumstances beyond the control of the physician, and (B) specify the terms under which the Veterans' Administration and the physician may elect to terminate such agreement.

"(3) Any amount of special pay payable under this section shall be provided in such installments as the Administrator shall prescribe, pursuant to such regulations.

"(d) Any additional compensation provided as special pay under this section shall not be considered as basic compensation for the purposes of subchapter VI and section 5595 of chapter 55, chapter 81, 83, or 87 of title 5, or other benefits related to basic compensation."

(2) The table of sections at the beginning of chapter 73 of title 38, United States Code, is amended by inserting

"4118. Special pay for physicians."

below

"4117. Contracts for scarce medical specialist services."

SEC. 3. (a) The Administrator of Veterans' Affairs shall submit a report each year to the Committees on Veterans' Affairs of the Senate and House of Representatives regarding the operation of the special pay program authorized by section 4118 of title 38, United States Code, as added by section 2(d)(1) of this Act. The report shall be on a fiscal year basis and shall contain—

(1) a review of the program to date for the fiscal year during which the report is submitted; and such portion of the preceding fiscal year as was not included in the previous annual report; and

(2) any plans for the program for the remainder of such fiscal year and for the succeeding fiscal year.

This report shall be submitted not later than April 30 of each year.

(b) The Director of the Office of Management and Budget, after consultation with the Administrator of Veterans' Affairs, the Secretary of Defense, the Secretary of Health, Education, and Welfare, the Chairman of the Civil Service Commission, and the heads of other appropriate Federal departments and agencies, shall submit to the appropriate committees of the Senate and House of Representatives not later than March 1, 1976, a report proposing a permanent legislative solution to the problem of attracting and retaining the services of highly qualified physicians and other health care personnel in the Veterans' Administration, other nonuniformed Federal service, and the uniformed services, along with a justification for such proposal. Such proposal shall, to the maximum extent feasible, provide for uniform pay, allowances, and benefits.

SEC. 4. Chapter 73 of title 38, United States Code, is amended as follows:

(a) Clause (1) of section 4101 is amended to read as follows:

"(1) Physicians, dentists, nurses, physicians' assistants, and expanded-duty dental auxiliaries;"

(b) Section 4105 is amended by—

(1) inserting at the end of subsection (a) the following new paragraph:

"(8) Physicians' assistants and expanded-duty dental auxiliaries shall have such medical or dental and technical qualifications and experience as the Administrator shall prescribe"; and

(2) striking out in subsection (b) "or nurse unless he" and inserting in lieu thereof "nurse, physicians' assistant, or expanded-duty dental auxiliary unless such person";

(c) Section 4106 is amended by adding at the end thereof the following new subsection:

"(f) The provisions of this section shall apply to physicians' assistants and expanded-duty dental auxiliaries."

(d) Section 4107 is amended by—

(1) inserting before the period at the end of the third sentence of paragraph

(5) of subsection (e) a comma and "except as voluntarily requested in writing by the nurse in question";

(2) adding at the end of subsection (e) the following new paragraph:

"(10) The provisions of this subsection shall apply, in lieu of the provisions of sections 5542, 5543, 5545 (a), (b), and (c), and 5546 of title 5 with respect to any person employed in the Department of Medicine and Surgery, except for physicians and dentists, whose principal responsibilities, as determined by the Chief Medical Director pursuant to regulations which the Administrator shall prescribe, relate directly to patient care."; and

(3) inserting at the end thereof the following new subsections:

"(f) Under standards which the Administrator shall prescribe in regulations, physicians' assistants and expanded-duty dental auxiliaries shall be compensated by use of Nurse Schedule grade titles and related pay ranges and shall be entitled to additional pay on the same basis as provided for nurses in paragraphs (2) through (8) of subsection (e) of this section.

"(g) When he finds such action to be necessary in order to obtain or retain the services of health care personnel to provide hospital care and medical services for veterans the Administrator, notwithstanding any other provision of law, shall increase the minimum or maximum rates of pay authorized under this chapter or title 5, on a nationwide basis, for one or more grades or for one or more medical, dental, or health care fields within the grades, to (1) provide pay commensurate with competitive pay practices in the same occupation or in order to achieve internal alignment of pay rates within the Department of Medicine and Surgery or (2) meet staffing requirements at Veterans' Administration facilities. Any such increase in the minimum rate for any grade may not exceed the maximum rate prescribed pursuant to law for such grade. Any such increase in the maximum rate for any grade may not exceed in corresponding amount, the amount provided for the statutory range for that grade, subject to the limitation on pay fixed by administrative action set forth in section 5363 of title 5."

(e) Section 4108 is amended by—

(1) striking out in the language preceding clause (1) in subsection (a) "and nurses" and inserting in lieu thereof a comma and "nurses, physicians' assistants, and expanded-duty dental auxiliaries"; and

(2) striking out "or nurse" in the same language in such subsection and in clause (6)(B) thereof and inserting in lieu thereof in each place "nurse, physicians' assistant, or expanded-duty dental auxiliary".

SEC. 5. (a)(1) The amendments made by subsection (d) of section 2 of this Act shall become effective as of July 1, 1975, and agreements entered into by the Veterans' Administration pursuant thereto shall be effective (A) as of such date as to physicians then employed in the Department of Medicine and Surgery of the Veterans' Administration, or (B) as of the date on which the employment of a physician begins as to all other physicians whose employment begins after July 1, 1975.

(2) No special pay may be provided pursuant to section 4118 of this title (as added by subsection (d)(1) of section 2 of this Act) after July 1, 1976, or the expiration date of the authority contained in section 313 of title 37 to provide special pay to physician medical officers in the uniformed services, whichever is later.

(b) Except as provided in subsection (a) of this section, the amendments made by this Act shall become effective beginning the first pay period following thirty days after the date of enactment of this Act.

INTRODUCTION

The Subcommittee on Health and Hospitals conducted hearings on May 22 and 23, 1975, on S. 1711 and related legislation. Testimony or written statements were presented by representatives of the Veterans' Administration, health education organizations, health and allied health professions organizations, physicians and dentists in the Department of Medicine and Surgery, labor unions, veterans' organizations, and other concerned parties.

In executive session on July 9, 1975, the Subcommittee considered and unanimously ordered S. 1711 favorably reported to the full Committee, with an amendment in the nature of a substitute. The Committee on Veterans' Affairs met in executive session on July 16, 1975, and voted to report favorably S. 1711 as reported from the Subcommittee.

SUMMARY OF S. 1711 AS REPORTED

BASIC PURPOSE

The basic purpose of the S. 1711 Committee bill is to preserve the quality of care available to veterans in VA health care facilities by ensuring that the VA can compete effectively with other Federal agencies providing health care and with health care institutions and opportunities in the community for the services of qualified health care personnel. The Committee bill would achieve this purpose by authorizing the payment of special pay to eligible physicians in order to enhance the recruitment and retention of physicians in the Department of Medicine and Surgery; calling for the development of a permanent legislative solution to problems associated with the recruitment and retention of health care personnel in the VA and other Federal agencies; and providing for certain new authorities to assist the Department of Medicine and Surgery in recruiting and retaining the services of dental, nursing, technical, and other nonphysician health care personnel.

SUMMARY OF PROVISIONS

S. 1711 as reported would:

1. Authorize the payment of special pay to eligible physicians in the Department of Medicine and Surgery as follows:

(a) Full-time physicians (with the exception of those in certain narrowly drawn categories of professional positions found by the Chief Medical Director not to be experiencing a significant recruitment and retention problem) would receive \$6,075 in "base special pay", plus up to \$7,425 in variable "additional special pay", to be distributed on the basis of objective factors, such as the scarcity of the physician's medical speciality, the physician's tenure, education, and professional responsibilities, and the extent to which veterans in the geographical area in question are medically underserved by the appropriate VA facility. It is estimated that most full-time physicians would receive special pay of between \$9,000 and \$10,000 annually. No physician would receive more than \$13,500.

(b) Part-time physicians (with the same narrowly-drawn categorical exceptions) would receive "base special pay" of \$6,075 proratably reduced by the proportion of time employed in VA facilities, plus up to \$5,400 in "additional special pay" proratably reduced to reflect hours employed and distributed according to the same objective factors.

2. Remove the salary authorization for the Chief Medical Director and Deputy Chief Medical Director from title 5 of the United States Code; establish statutory salaries for these officials in section 4107 of title 38 of the United States Code; impose salary ceilings on their salaries, as well as that of the Associate Deputy Chief Medical Director, to correspond to specific Executive Schedule levels in title 5 (while retaining the \$36,000 salary ceiling on all other DM&S salaries—except as provided in special pay); and direct provision of \$13,500 in special pay to these three officials.

3. Require the Administrator of Veterans' Affairs to report annually to the relevant Committees of Congress on the operation of the special pay program.

4. Require the Director of the Office of Management and Budget, after consultation with the Administrator of Veterans' Affairs and the heads of relevant Federal agencies, to submit to the appropriate Committees of Congress, not later than March 1, 1976, a report proposing a permanent and coordinated legislative solution to the problem of attracting and retaining the services of qualified health care personnel for careers in the VA, the uniformed services, and other Federal agencies providing health care.

5. Provide for the inclusion in the title 38 Department of Medicine and Surgery personnel schedules of physicians' assistants and expanded-duty dental auxiliaries, along with physicians, dentists, and registered nurses, and direct that they be paid under the Nurse Schedule in section 4107 of title 38.

6. Remove the prohibition on compensatory time off for VA registered nurses, but only when a nurse who, because of overtime work, is entitled to special compensation voluntarily and specifically requests in writing that that compensation take the form of extra time off rather than overtime pay.

7. Extend title 38 premium and overtime pay benefits, as they are now provided to registered nurses in VA health care facilities, to all Department of Medicine and Surgery personnel whose principal responsibilities relate directly to patient care.

8. Authorize the Administrator to adjust minimum and maximum salaries within grade for non-physician health care personnel on a nationwide basis when, in his judgment, salary adjustment is necessary to provide pay commensurate with competitive pay practices in the same occupation, to achieve internal alignment of pay rates within the Department of Medicine and Surgery or to meet staffing needs in VA health care facilities.

BACKGROUND

No factor bears more directly on the quality of patient care provided to veterans in the VA health care system than the qualifications and professional skills of the health care personnel in the Department of Medicine and Surgery. To provide medical care to the Nation's 29.4 million veterans, the VA administers 171 hospitals, 213 outpatient clinics, 86 nursing homes, and 18 domiciliaries. Health care on such an enormous scale requires a large staff of well-qualified professionals. The Department of Medicine and Surgery on March 31, 1975, employed 8,388 physicians, 862 dentists, 24,629 registered nurses, 32,284 nursing personnel, and more than 100,000 other health care and administrative personnel.

The VA health care system's contribution to American medicine extends well beyond the treatment of veterans. More than 65,000 medical personnel are trained every year at VA facilities for service to the community in private and public hospitals. One out of every three professionals in the emerging paramedical specialties is trained by the VA. In addition, the VA spends almost \$100 million annually on basic and applied medical research, the benefits of which extend far beyond the immediate veteran community served by the VA system.

RECRUITMENT AND RETENTION OF PHYSICIANS

Background Factors

The most acute recruitment and retention problem now faced by the Department of Medicine and Surgery involves the more than 8,000 physicians who work in VA health care facilities.

In the spring of 1974 the VA, at the request of the President, conducted a major study of the Quality of Patient Care at VA hospitals and clinics. That study, prepared under the direction of Dr. John D. Chase, then the new Chief Medical Director of the Department of Medicine and Surgery, concluded:

The most critical problem confronting the Department of Medicine and Surgery is the recruitment and retention of an adequate staff of well qualified personnel essential to providing high quality health care. The most urgent of these needs focuses on the physician.

According to the Quality of Patient Care report, which incorporated the significant findings and recommendations of the VA Task Force Report on Recruitment and Retention, the single greatest barrier to

successful recruitment and retention, was the inadequacy of the salaries allowed for VA physicians.

The principal reason for the low level of VA physicians' compensation is the \$36,000 ceiling imposed by statute on all Federal executive employee salaries at Federal Executive Schedule V and below. The ceiling has been in place since 1969. Today, four out of every ten full-time physicians in the VA have their salaries frozen at that maximum figure. That proportion would increase to 63 percent when the anticipated pay increase due in October 1975 takes effect. The salary ceiling is particularly burdensome in times of rapidly escalating increases in the cost of living.

The inevitable result has been an exodus of experienced and highly qualified physicians from the VA system, an exodus that now threatens to reach crisis proportions. In the twelve-month period ending on June 30, 1975, more than 300 full-time physicians resigned because they considered their salaries inadequate. Fully two-thirds of the 1,209 physicians who were offered positions in VA health care facilities rejected them, citing inadequacy of compensation as their reason for doing so.

The exodus of physicians from the VA accelerated a year ago with the enactment of Public Law 93-274 to assist the uniformed services in recruiting and retaining badly needed physicians. (The text of Public Law 93-274 and the regulations promulgated thereunder are included in an Appendix to this report.) Under the terms of that 1974 Act and its implementing regulations, certain physicians (not including interns and residents) in the Armed Forces and the United States Public Health Service who agree to serve one to four years of additional active duty are eligible for special incentive bonuses of up to \$13,500 annually. With the enactment of this legislation and regulations issued thereunder effective September 5, 1974, physicians employed in the Department of Medicine and Surgery no longer had pay comparability with the physicians in the two other major Federal agencies providing health care.

In addition, while the VA system of hospitals and clinics offers many inducements to the physician beyond those offered by the Department of Defense and the Public Health Service in terms of professional challenges in patient care and opportunities for medical research and teaching, comparable positions in teaching hospitals in the community offer significantly greater financial rewards than VA service, as do faculty appointments at medical schools.

A comparison of the incomes of VA physicians, uniformed services physicians, and non-Federal physicians shows that the \$36,000 top salary for VA physicians due to the Federal salary ceiling is substantially lower than the top salary in the other two Federal health services. The highest paid (although relatively few) uniformed services physicians earn \$55,594, or 54% more than the maximum salary for physicians in the VA. Salaries of non-Federal physicians range considerably higher; 15.8 percent of physicians in the private sector net over \$71,000 annually.

The non-competitive salary position of the VA is demonstrated even more clearly by data on the average net income of all private physicians. The average physician in this country earns \$49,415. The average military physician earns \$37,335 (plus as much as \$17,700 in special pay and variable incentive pay over and above the regular salary). Each of these average figures exceeds the *maximum* salary of

physicians in the VA. The average full-time VA physician currently earns \$33,614—47 percent less than the average non-Federal physician's salary and 11 percent less than the average basic salary of physicians in the uniformed services.

It should also be noted in connection with the \$37,355 military physicians' average income that over 75 percent of military physicians have less than 12 years of professional experience. For those with over 12 years of experience, the average salary is \$43,039. The average VA physicians' salary after 12 years experience in DM&S is \$36,000 or less.

The Growing Number of Part-Time Physicians

Because of the acceleration of full-time physicians leaving the VA for better-paying jobs elsewhere, the VA has grown increasingly reliant on part-time physicians. Of the 732 physicians who have been recruited to join the VA in the last three years, only 52 (seven percent of the total) agreed to serve full-time. The remainder (680) chose part-time service.

Since 1968, the number of full-time physicians in the VA increased by seven percent. During the same period, the number of physicians serving part-time increased 174 percent.

Particularly troublesome is the alarming conversion to part-time service at the highest staff levels in VA hospitals among the VA's most experienced and highly-trained physicians. At the present time, 44 of the 171 hospitals in the VA system lack a full-time Chief of Psychiatry. The position of Chief of Radiology is either vacant or filled on a part-time basis in 71 hospitals. And 85 hospitals—half of all VA hospitals—lack a full-time Chief of Anesthesiology.

The Committee believes that the trend to part-time service poses a direct threat to the quality of patient care in VA health care facilities. "If this trend continues . . .", stated the July 1974 Task Force Report on Recruitment and Retention, "the VA will progressively lose control of its physician manpower and have to contend with employees who have split loyalties and changed priorities and motivations." The point was reinforced by Dr. A. M. Gottlieb, Director of the Veterans' Administration Hospital in Palo Alto, California, when he testified before the Subcommittee on Health and Hospitals on May 22. Dr. Gottlieb said:

[A physician's part-time service] is a bad compromise on both his part and my part.

I think a Chief of Service, in order to fulfill his responsibilities . . . , has to spend about 60 to 80 hours a week and give his undivided attention to the problems of a hospital he serves.

My seven-eighths physicians give, I am sure, much more than 35 hours. [But] they don't give anything like the 60 to 80 hours and obviously their interests and attention are divided between their other responsibilities and the VA.

The Growing Number of Foreign Medical Graduates

Also significant is the VA's growing dependence on the services of foreign-trained physicians. One-third of all physicians in the VA health care system today were trained in foreign medical schools, almost

double the proportion of foreign medical graduates in the general physician population in this country. The number of foreign medical graduates in VA health care facilities has increased by 25 percent in only two years. At 25 VA hospitals, more than half of all staff physicians are foreign trained.

At hearings before the Subcommittee on Health and Hospitals, chaired by Senator Alan Cranston, on May 22 Chief Medical Director Chase discussed the special problems associated with foreign medical graduates in the VA hospital system:

[T]he problems fall into two areas. They fall into the area of difficulty of communication with the foreign medical graduate who comes to his job dealing with the veterans, sometimes with difficulty in understanding the veteran or the veteran understanding him.

Probably more serious than that, Mr. Chairman, and particularly in psychiatry, the foreign medical graduate in psychiatry comes to the VA hospital without the background of knowing what the customs, what the colloquialisms are, of the veteran, so he has difficulty integrating information he receives from the veteran and understanding the problem.

If he does not understand the problem, it is difficult to plan appropriately for the best care of the veteran.

While the vast majority of foreign-trained physicians are competent and dedicated individuals, substantial communications barriers with the veterans have been encountered in some cases as a result of different linguistic and cultural backgrounds. In addition, lack of fluency in English may create problems in communicating effectively to support staff the exact medication to be administered the patient and the overall treatment regimen to be followed.

RECRUITMENT AND RETENTION OF NONPHYSICIAN PERSONNEL

Background Factors

Although the Department of Medicine and Surgery's most visible problem concerns the recruitment and retention of physicians, the Department also suffers from shortages of other categories of personnel. In some cases, the shortages are severe enough to threaten the quality of care afforded to the Nation's hospitalized veterans.

The 1974 Task Force Report on Recruitment and Retention indicated that the recruitment and retention of nonphysician personnel were critical problems, second in importance only to the problems associated with physicians. Chief Medical Director Chase reaffirmed this finding of the Task Force Report in his testimony to the Subcommittee on Health and Hospitals on May 22, 1975. The record of those hearings makes a strong and, the Committee believes, a persuasive case for acting now to assist the Department of Medicine and Surgery in obtaining the services of badly needed nonphysician personnel.

Physicians' Assistants

One of the VA's most pressing recruitment and retention shortfalls is in the physicians' assistant category. Physicians' Assistants are a new, and potentially very valuable, category of paramedical

specialist; training programs were first established only 5 years ago, and less than 3,000 Physicians' Assistants have been trained nationally since then. VA hospitals have played a major role in training physicians' assistants. Well over half (1,800) of all physicians' assistants received some or all of their clinical training in VA hospitals. Yet at present, the VA employs only 81 full-time physicians' assistants.

Physicians' Assistants enter the VA at the GS-7 level, with a \$10,520 starting salary. According to the American Academy of Physicians' Assistants, the starting salary for Physicians' Assistant's in non-VA hospitals ranges from \$12,500 to \$15,000 a year—considerably more than the salary that the VA, under Civil Service restrictions, can offer. The ironic result is that the VA, the Nation's leading trainer of Physicians' Assistants, cannot pay the salaries necessary to hire the graduates of its own programs.

The training, development, and employment of Physicians' Assistants has, in the last several years, been made by Congress a major health care mission of the VA. Public Law 93-82, the Veterans' Health Care Expansion Act of 1973, amended section 4101(b) of title 38 to provide, in part:

[T]he Administrator shall . . . develop and carry out a program of education and training of . . . health manpower . . . and shall carry out a *major program* for the recruitment, training, and *employment* of veterans with medical military occupation specialties as *physicians' assistants*, dentists' assistants, and other medical technicians (including advising all such qualified veterans and servicemen about to be discharged or released from active duty of such *employment opportunities*). . . . [Emphasis supplied.]

Also, under section 5070(e) of title 38—a section added by Public Law 92-541, the Veterans' Administration Medical School Assistance and Health Manpower Training Act of 1972—applications for financial aid for the construction of State medical schools and assistance to increase training opportunities at existing medical schools and other health manpower training institutions will be given special consideration when, among other things, veterans with medical military occupation specialties are given priority for admission to Physicians' Assistants programs as well as other health professions training programs.

These laws, in short, indicate a firm and twice articulated congressional intent to expand dramatically the number of Physicians' Assistants employed in VA health care facilities. Achievement of that congressional intent has proven impossible because of the VA's continued difficulty in recruiting Physicians' Assistants to the VA system. The Committee believes that the Department of Medicine and Surgery must now be given the explicit statutory authority it needs to realize its goals and congressional goals with regard to the employment of physicians' assistants in the VA health care programs.

Nursing Personnel

The Department's recruitment and retention problems concerning nursing personnel other than registered nurses are equally serious.

There are 6,544 full-time licensed practical nurses (LPNs) in the VA system. They enter at the GS-3 grade level, with starting salaries of \$6,764. According to the National Federation of Licensed Practical

Nurses, the average starting salary for practical nurses in this country is \$8,000; and that starting figure rises to as much as \$12,000 in major metropolitan areas. The competitive position of the VA is obviously weak. Fifteen hospitals in the VA system are experiencing critical recruitment shortages of LPNs, and the pay differential is cited as the principal reason at each of those hospitals.

The VA also employs 25,200 nursing assistants. Unlike LPNs and physicians' assistants, they undergo no formal training before starting in the Veterans' Administration, and do not have to be licensed or pass a formal examination. The major recruitment problem with NAs (and to a somewhat lesser extent with LPNs) is different from the recruitment problem associated with the other personnel; competition for their services comes, not from other hospitals, but from other positions within the VA hospital—positions that pay considerably more than the NA can earn.

NAs enter the system at the GS-2 grade level, or \$5,996. At almost ninety percent of VA hospitals, starting Wage Board employees—cooks and food service employees, laundry workers, housekeeping aids, maintenance personnel, and others whose jobs are of a custodial or support nature rather than health-related—earn more than nursing personnel at the GS-2 level, and in some cases they earn almost twice as much.

Chief Medical Director Chase has indicated that this "internal" competition for personnel within VA hospitals is one of the major reasons for the difficulties in recruiting and retaining the services of NA's. Persons who have received no formal nursing training will often prefer the higher-paying laundry and maintenance positions to the lower-paying NA positions. Five VA hospitals are now experiencing critical shortages of NA personnel.

Two other problems should be noted in connection with the NA recruitment problem. First, because of the extraordinarily high turnover rate of NAs in the VA system (close to 25 percent annually), recruitment is a constant worry and consumes a major portion of the Nursing Service's time. Second, the recruitment problem at the NA level aggravates recruitment problems at the higher nursing levels. The VA considers the NA position as the first rung on a career ladder in nursing (Congress has specifically mandated career advancement opportunities in section 4101(b) of title 38). NAs are trained and encouraged to become LPNs and then registered nurses. The initial pay discrepancy between NA wages and Wage Board salaries discourages many entering personnel away from the nursing ladder, and eventually, therefore, leads to recruitment shortfalls at the higher nursing levels.

DISCUSSION

AUTHORIZATION OF SPECIAL PAY

In recognition of the difficulties the Department of Medicine and Surgery is experiencing in the recruitment and retention of qualified physicians, and in recognition of the inequity of paying physicians in the VA substantially less than their peers in other Federal agencies

providing health care, the Committee bill provides for the payment of special variable incentive pay to all eligible physicians in the Department of Medicine and Surgery.

Eligibility

All physicians, not otherwise determined to be part of an ineligible category, would be presumed eligible for special pay.

The Committee bill authorizes the Chief Medical Director, pursuant to regulations prescribed by the Administrator, to determine categories of professional physician positions in the Department of Medicine and Surgery for which there is no significant recruitment and retention problem and which would thereafter be ineligible for special pay. The Chief Medical Director is required to review such determinations annually.

The Committee stresses that it believes that each such determination (initially or resulting from the annual review) should be fully and publicly justified in writing and submitted to the Congressional Committees on Veterans' Affairs with the stated justification. Determinations must be made by professional category, each separately justified. Under no circumstances may an individual VA physician be excluded from eligibility for special pay except by application of the categorical exemption or objective criteria with respect to the amount of additional special pay.

The Committee believes this authority should be exercised in a manner that will place the highest priority on enhancing the ability of the Department of Medicine and Surgery to maintain or bring about high quality in the provision of patient care or clinical applications of new methodologies in the provision of patient care. The Chief Medical Director has advised the Committee that he would intend to exclude the following categories of professional positions (the number in parentheses indicates the number of physicians in that category employed as of March 31, 1975, in the Department of Medicine and Surgery):

- Distinguished physicians (9)
- Senior physicians (59)
- Research associates (74)
- Clinical investigators (52)
- Medical investigators (24)
- Reemployed annuitants (no estimated number available)
- Residents and interns (2,000)
- Consulting and attending and other fee-basis physicians (no estimated number available)

The Committee notes that in order to make such an exclusion, the Chief Medical Director would be required, under the provisions in the Committee bill, to make a specific determination as to each professional category that there is no significant recruitment and retention problem in securing the services of physicians in each such category.

Physicians in administrative positions may not be excluded from eligibility for special pay under this provision. A distinction is drawn in the Committee bill between "professional" and "administrative"

positions in the Department of Medicine and Surgery. The law would authorize the Chief Medical Director to exclude only categories of *professional* positions. Physicians in *administrative* positions—in both central office and the field—must receive special pay.

The Subcommittee received extensive testimony on the importance to the VA hospital system of having some physicians as hospital directors. At present, 42 of the VA's 171 hospitals are administered by physician directors. The Subcommittee heard testimony from Chief Medical Director Chase, himself a former hospital director, and from a panel of distinguished VA hospital directors, to the effect that exclusion of physician hospital directors from the special pay provisions of S. 1711 would be likely, very quickly, to lead to a voluntary exodus from VA hospital directorships of the remaining physician hospital directors.

It seems clearly beneficial to the VA hospital system to retain some qualified physician directors. Physicians often bring to high administrative posts a perspective on hospital decisionmaking and policy formulation in the Department of Medicine and Surgery that complements the perspectives of their nonphysician peers. Furthermore, title 38 requires that the top officials in the Department of Medicine and Surgery be physicians. If the VA hospital system loses its physician directors, then the top officials in the Department could no longer come from the ranks of the physician directors. In the Committee's opinion, it is vital to have persons with experience as hospital directors among the top policymaking officials in the Department. Moreover, with the advent of the new DM&S regional/district system, with 30 medical districts, rather than seven regions (six in headquarters and one in the field)—put into effect on July 1, 1975—it is likely that even more lay administrators will become Medical District Directors, with responsibilities for coordinating hospitals generally also headed by nonphysician directors. This organizational structure provides further need, the Committee believes, for maintaining a reasonable number of physician hospital directors in the system.

Inclusion of physician hospital directors in the special pay provisions of the Committee bill is thus intended, in part, to ensure that the Department can benefit from the services of former physician directors in high administrative positions. Similarly, the Committee believes that it is absolutely necessary to attracting high quality personnel to provide effective management of the Department of Medicine and Surgery that the central office physician administrators be entitled to special pay.

For these reasons, the Committee bill is drafted to require that base special pay be provided to VA physician hospital directors and other physicians in administrative positions.

The Committee recognizes the inequity resulting from the inclusion of physician hospital directors in the special pay provisions of S. 1711 when non-physician directors are not included. The committee believes, however, that even more substantial inequities and liabilities for the overall system would result if physician hospital directors were excluded. Although the Committee recognizes the eligibility of physi-

cian hospital directors for the special pay creates an inequitable situation with regard to the nonphysician hospital director, it feels compelled to abide by the statutory ceiling which exists on Federal salaries and which has been excepted only in the case of physicians in the uniformed services.

Types and Characteristics of Special Pay

All eligible physicians who execute a written agreement with the Department of Medicine and Surgery to complete a specified number of years of service in the Department would receive special pay of up to \$13,500 a year for the duration of the written agreement up to four years. Eligible full-time physicians would receive \$6,075 in "base special pay", plus up to \$7,425 in variable "additional special pay" to be distributed under regulations prescribed by the Administrator according to the following objective factors:

1. the scarcity of the physician's medical specialty;
2. the physician's achieved tenure in the Department of Medicine and Surgery;
3. the physician's education;
4. the physician's medical and administrative responsibilities; and
5. the extent to which veterans in the geographical region involved are medically underserved by the appropriate VA facility.

The Chief Medical Director has advised that the VA had planned to implement the provisions of the Administration's bill (S. 1859) as follows:

Each eligible DM&S physician would be granted a per annum allowance based on several components, with appropriate prorating for part-time and intermittent physicians. These components would be:

1. A basic amount of \$6,000
2. Plus \$1,000 for completion of three consecutive years of DM&S staff service immediately prior to or during the period of this authority
3. Plus \$1,500 for Board-certified physicians in the field who are assigned to and practicing in selected scarce specialties, including anesthesiology, paraplegic medicine (with appropriate Boards), pathology, psychiatry, and radiology, and
4. Plus an amount ranging from \$1,500 to \$4,500 for physicians appointed to positions of greater professional responsibilities, including Service Chiefs, Associate Chiefs of Staff, Executive grade physicians (Chiefs of Staff and DM&S staff physicians in Central Office), Medical Director grade physicians (including Deputy Service Directors, Service Directors, and Deputy Assistant Chief Medical Directors), physician Assistant Chief Medical Directors, Associate Deputy Chief Medical Director, Deputy Chief Medical Director, and Chief Medical Director.

An additional amount of \$2,000 per annum would be granted to eligible DM&S physicians appointed in full-time status. With respect to VA physicians who are in receipt of full retired pay from the uniformed services, the allowance would be reduced by an appropriate amount. This amount would be comparable to the reduction in the retired pay otherwise required in the absence of an exception to dual compensation provisions.

The variable allowance would be paid on a pay period basis by applying a formula similar to that used for determining basic salary and it would not be considered basic pay for retirement, life insurance, or other benefits related to basic pay.

The VA's intended implementation of its bill is shown in the following table:

TABLE 1.—VA planned implementation of S. 1859—Variable allowance for full-time D.M. & S. physicians with three or more years of continuous D.M. & S. service

Category	Amount ¹
Chief Medical Director; Deputy Chief Medical Director; Associate Deputy Chief Medical Director; Assistant Chief Medical Directors	\$13,500
Deputy Assistant Chief Medical Directors	13,000
Service Directors	12,500
Deputy Service Directors	12,250
VACO Staff; Chiefs of Staff; Service Chiefs Board Certified in and assigned to selected scarce specialties ²	12,000
Other Service Chiefs and Associate Chiefs of Staff (physician)	10,500
Staff Physicians, Board Certified in and assigned to selected scarce specialties ²	10,500
Other qualified physicians	9,000

¹ Subtract \$1,000 if service is less than 3 years. Subtract \$2,000 if part-time or intermittent and prorate remainder.

² Included are anesthesiology, paraplegic medicine, pathology, psychiatry, and radiology. Those physicians assigned to paraplegic medicine shall be Board Certified in an appropriate specialty.

Under the Committee bill, part-time physicians would receive base special pay of \$6,075 reduced to reflect the proportional amount of the physician's work schedule based on 40-hour week, spent in the Department of Medicine and Surgery, and additional special pay of up to \$5,400 proratably reduced in a manner similar to the reduction of base special pay and distributed according to the same objective factors.

The maximum amount (before proratable reduction) of additional special pay for part-time physicians (\$5,400) is \$2,025 less than the maximum additional special pay for full-time physicians (\$7,425). This \$2,025 differential was established between additional special pay for full- and part-time physicians because the Committee believes that Congress should provide an incentive to encourage full-time service. Particularly damaging to the Department of Medicine and Surgery has been the very large number of physicians who, having decided to join the VA, have elected part-time service rather than full-time service, or who have converted to part-time from full-time service. The Committee hopes and expects that the incentive of a \$2,025 "bonus" for electing full-time service will prompt more physicians to choose full-time careers in the Department of Medicine and Surgery.

The special pay is to be provided in such installments as the Administrator may prescribe in regulations. The Committee views with approval the practice followed by the uniformed services of prorating the annual special pay among the pay periods occurring within the year under consideration.

Special Pay Agreements for More Than One Year

Under the Committee bill, physicians who wish to receive the benefit of a special pay bonus for more than one year may elect to sign agreements for up to four years of service in the Department of Medicine and Surgery, in exchange for an assurance of receiving special pay in each such year.

The Committee has included this multi-year special pay option because, under Public Law 93-274 and its implementing regulations, physicians in the uniformed services are given the option of being guaranteed special pay for up to four years of additional service.

The Department of Defense has reported that fully 54 percent of its physicians opted for agreement of longer than one year. One-third of all eligible military physicians signed four-year agreements. The Committee believes true comparability with these other Federal physicians cannot be achieved for VA physicians unless they, too, are given this multi-year opportunity. Effective recruitment of physicians is really possible only, the Committee feels, when a longer-term career decision can be made based on a relatively secure financial commitment for the immediate future. This would not be possible if the VA could offer no more than a strict one-year bonus.

The decision to enter into a multi-year special pay agreement would be wholly voluntary with each individual physician under the Committee bill, and the physician is free to terminate the agreement at any time (subject, if the physician terminates the agreement prior to the completion of one year of service, to the pay-back requirement described below). The agreement would specify the number of years of service agreed to, and the terms under which the physician and the VA may elect to terminate the agreement. The VA would lose none of its rights to terminate a physician's service for cause under applicable law and regulations. The Committee stresses that the agreement should also provide that if legislation which would provide more favorable salary adjustment for the physician is enacted to replace the special pay provisions added by the Committee bill, the physician with a multi-year agreement would be entitled to terminate the agreement or renegotiate it in order to take advantage of the new pay legislation.

Refund Requirement

Any physician who negotiated and signed a special pay agreement and then voluntarily or because of misconduct failed to complete *one year* of service pursuant to the agreement would be required to refund the total amount of special pay received, unless the failure is necessitated by circumstances beyond the control of the physician. Once, however, a physician completed one year of service under a multi-year special pay agreement, that physician would be free to terminate the agreement before its expiration *with no repayment obligation whatsoever* although no special pay would be paid for any period when the physician did not actually serve in DM&S.

REPORT BY THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

The Committee recognizes that legislation to provide special pay bonuses to VA physicians is at best a temporary solution to the recruitment and retention problem. Thus, the Department of Medicine and Surgery's authority with respect to entering into special pay agreements would, under the Committee bill, expire in one year—unless the uniformed services authority were extended in the meantime.

The Committee also recognizes that a more durable solution must be found not only for physicians but for all Federal health care personnel. A crucial provision in the Committee bill, therefore, requires that the Director of the Office of Management and Budget (OMB) consult with the Administrator of Veterans' Affairs and with

the heads of other relevant Federal agencies, and submit to the appropriate House and Senate Committees by March 1, 1976, a report recommending a permanent legislative solution to the problem of attracting and retaining the services of highly qualified physicians, dentists, and other health care personnel in all Federal health-care-providing agencies.

The Committee believes that other priority recommendations made by the 1974 Task Force on Recruitment and Retention with regard to physician recruitment and retention—urging retirement credit for the years spent in training and sabbaticals for professionals who meet certain conditions—merit careful consideration and should be thoroughly studied and weighed in terms of their utility and effectiveness as part of a more permanent legislative solution governing pay for health professionals in the Federal service. The Committee intends that OMB include consideration of these two issues in developing the report mandated by section 3(b) of the Committee bill.

There are two reasons why the Committee has designated OMB to prepare this report. First, and most importantly, the report will require the close coordination between and cooperation of at least four large Federal departments—the Veterans' Administration, the Department of Defense, the Department of Health, Education, and Welfare, and the Civil Service Commission. The Office of Management and Budget (OMB), the Federal agency most directly responsible for inter-departmental and inter-agency coordination in the Executive branch, is, therefore, best suited to achieve this coordination. Second, the Committee has been informed by OMB that the preliminary groundwork for the report has already been commenced by OMB, and that a March 1, 1976, completion date is feasible. It seems most unlikely to the Committee that the March 1 report deadline could be met through utilizing some other arrangement for preparing the report.

The Committee bill also requires that the Administrator of Veterans' Affairs submit an annual report to the House and Senate Committees on Veterans' Affairs regarding the operation of the special pay program. This reporting requirement is similar to one in section 313(e) of title 37, requiring the Secretary of Defense and the Secretary of Health, Education, and Welfare to report to the appropriate House and Senate Committees on the operation of the variable incentive pay program authorized by Public Law 93-274.

Dentists

No single subject in connection with consideration of the Committee bill received more careful study than the decision as to whether or not there was an adequate basis for the inclusion of dentists under the special pay provisions of the legislation. The Committee received testimony from the National Committee of Concerned VA Dentists, the American Dental Association; and other VA dentists. Extensive discussions were held with dentists from the VA. At the request of Senator Cranston, Chairman of the Subcommittee on Health and Hospitals, the Department of Medicine and Surgery conducted an exhaustive, station-by-station survey of Dental Service, to determine whether there was in fact an emergency recruitment or retention problem with respect to dentists.

After reflecting on the data compiled by the Department of Medicine and Surgery, and after considering carefully the recommendations of the Chief Medical Director, concerned VA dentists, and others, the Committee has concluded that there is no justification for extending the eligibility for special pay to VA dentists at this time. Determinative in the Committee's decision were the following factors:

1. The recommendation by the Chief Medical Director in his testimony before the Subcommittee on May 22 that dentists not be included as eligible for special pay. His testimony on that occasion included these remarks:

At the present time our dentists are paid on the same scale as physicians. There are far fewer of them influenced by the impact of the \$36,000 [salary ceiling]. We have something like 900 dentists in the system at the present time.

The experience of full-time to part-time change has not occurred in the dental group. At the present time we have only 15 dentists in the system that are part-time employees.

We have at the present time vacancies in the dental field of 20. Not a very large number. . . .

It is my judgment we are going to be experiencing [recruitment and retention] problems with the dentists in the coming years, very shortly in the coming years. But it is also my judgment at this time that the explicit data would not support a crisis in dental salaries.

2. The data compiled by the Department of Medicine and Surgery at the request of the Subcommittee fail to show a recruitment or retention problem for VA dentists today. While the vacancy rate for VA physicians is a serious 8.5 percent, the comparable figure for VA dentists is less than 3 percent. Furthermore, although the annual turnover rate for VA dentists (13 percent) approaches the turnover rate for physicians (15.3 percent), the VA is not experiencing difficulty finding replacement dentists who are just as qualified as the dentists they replace. Departing dentists are, on the average, ten years out of dental school; their replacements, with seven years of experience after dental school on the average, are almost as experienced.

3. None of the factors which pose such a serious threat to the quality of medical care—the \$36,000 ceiling, the growing dependence on part-time physicians, and the large number of foreign-trained physicians—has affected the quality of dental care to nearly the same degree. (a) In contrast to the 38 percent of VA physicians whose salaries are frozen at \$36,000, only 19 percent of VA dentists now earn that maximum amount. (b) Only two percent of all VA dentists serve on a part-time basis, and there has been no visible trend toward part-time service. By contrast, 36 percent of all VA physicians serve part-time, and that percentage has grown rapidly in the last several years. (c) All dentists in the VA received their formal dental training in this country, whereas 31 percent of VA physicians were trained abroad.

In the Committee's opinion, there must be a clear emergency before an exception to the \$36,000 Federal salary ceiling is justifiable for any particular category of Federal employees. In view of the above factors, the Committee has determined that no data have been developed or advanced to demonstrate that the present situation with respect to dentist recruitment and retention by the Department of Medicine and Surgery has even begun to approximate such *emergency* proportions. In contrast, the Committee has found that the situation confronting the VA with respect to the recruitment and retention of *physicians* can only be characterized by use of the word "emergency".

On the other hand; the Committee is cognizant of the possibility that the recruitment and retention of dentist could become a serious problem in the near future. Accordingly, the Committee expects that the Director of the Office of Management and Budget, in preparing the report on the recruitment and retention of all Federal health care personnel required by the Committee bill, will pay special attention to recruitment and retention problems affecting the dentists (particularly specialists) in the Department of Medicine and Surgery, and will indicate what steps should be taken to ensure that the Dental Service continues to obtain and retain the services of highly qualified and dedicated dental professionals.

The Committee also notes that under the new subsection (g), which would be added by section 4 of the Committee bill to section 4107 of title 38, a mechanism is provided to alleviate any dentist recruitment and retention problem, at least for the time being. Under the new subsection (g), the Administrator could authorize pay increases of as much as \$7,000 to \$8,000 to aid in the recruitment and retention of certain categories of dentists (—especially new recruits—subject, of course, to the \$36,000 ceiling applicable to all professional personnel in the Department of Medicine and Surgery).

Top Officials of the Department of Medicine and Surgery

The three highest officials in the Department of Medicine and Surgery—the Chief Medical Director, Deputy Chief Medical Director, and Associate Deputy Chief Medical Director—are currently paid under or by reference to the Executive Schedule in title 5 of the United States Code, as follows: \$40,000 for the Chief Medical Director (under executive level III); \$38,000 for the Deputy Chief Medical Director (under executive level IV); and \$36,000 for the Associate Deputy Chief Medical Director (by reference to executive level V).

The Committee believes that compensation of the three top officials in the Department is more appropriately authorized under title 38 than under title 5. Positions at executive level III are filled by Presidential appointment by and with the advice and consent of the Senate. The same is true of virtually all the positions at executive levels IV and V. In contrast, the top three officials in the Department of Medicine and Surgery are non-partisan officials appointed for 4-year statutory terms of service by the Administrator of Veterans' Affairs, not by the President.

The Committee bill, therefore, transfers compensation authority for these officials from title 5 to title 38, and establishes statutory salaries of \$49,700 for the Chief Medical Director, \$48,500 for the Deputy Chief Medical Director, and \$47,300 for the Associate Deputy

Chief Medical Director. The proposed pay level for the Chief Medical Director is derived from the executive level III salary proposed by the President on February 4, 1974, as part of a three-year adjustment plan for Executive Schedule salaries (*Appendix to the Budget for Fiscal Year 1975*, page 1030). The other two salaries would be set \$1,200 and \$2,400 lower, respectively, annually than the Chief Medical Director's new salary. The Committee recognizes that the statutory salaries of the Deputy Chief and Associate Deputy Chief Medical Directors under the Committee bill would be slightly higher than the new executive IV and V levels proposed by the President in his February 1974 plan; the Committee selected these salary levels in order to bring the salary of the Associate Deputy Chief Medical Director to a higher level than that presently set forth for Assistant Chief Medical Directors (\$46,336) in the "Section 4103 Schedule" in section 4107(b) of title 38.

It should be noted that all of the salaries in the "Section 4103 Schedule", to the extent that they exceed the Federal salary ceiling of \$36,000, are now governed by the limitation in present section 4107(d) applying the \$36,000 ceiling (set for title 5 employees in section 5308 of title 5) to all title 38 personnel. That ceiling is retained in the Committee's revision of section 4107(d) for all title 38 employees except the Chief Medical Director, Deputy Chief Medical Director, and Associate Deputy Chief Medical Director, all of whom would continue to receive an amount of pay determined by *reference* to executive levels III, IV, and V, respectively, of the Executive Schedule. Otherwise, the effect of moving the compensation authority for the Chief Medical Director into title 38 would be to reduce his salary from the current \$40,000 to \$36,000 and the Deputy Chief Medical Director's from the current \$38,000 to \$36,000.

Also, under subsection (b)(1)(A) of the new section 4118 to be added to title 38, the three top officials of the Department of Medicine and Surgery would, by law, be entitled to receive the maximum special payment amount of \$13,500. This statutory requirement is necessary, the Committee believes, because the Chief Medical Director is responsible, under the Committee bill, for applying regulations governing the distribution of additional special pay. In order to avoid any conflict of interest, real or apparent, the Committee deemed it prudent to set, by statute, the amount of special pay for which the Chief Medical Director and his two top medical assistants are eligible.

Non-Physician Personnel

The Committee bill (in section 4) contains several provisions to assist the Department of Medicine and Surgery in recruiting and retaining critically needed personnel other than physicians. The provisions in section 4 of the Committee bill are essentially similar to those in section 5 of S. 1711 as originally introduced, with certain modifications and refinements.

The principle which has guided the Committee in consideration of the provisions of section 4—and, indeed, has been the Committee's starting point for all the provisions in the bill—is that the bill is a *recruitment and retention* bill, designed to give the Department of Medicine and Surgery basic authorities it needs to carry out its

statutory mission to provide quality, compassionate health care to ill and disabled veterans. The Committee has restricted itself to addressing what it has found to be the most serious DM&S recruitment and retention shortfalls, and has tried to do so in a flexible way that permits the Administrator to use scarce funds in the areas of greatest need.

Section 4 of the Committee bill would amend chapter 73 of title 38 for four purposes:

(1) to provide for the appointment under the title 38 DM&S personnel system of physicians' assistants and expanded-duty dental auxiliaries utilizing the nurse pay schedule;

(2) to provide for the payment of overtime and premium pay presently payable to title 38 nurses to licensed practical nurses, licensed vocational nurses, nursing assistants and other health care personnel, employed by the Veterans' Administration under the General Schedule (as well as to physicians' assistants and expanded-duty dental auxiliaries whose responsibilities relate directly to the provision of patient care;

(3) to provide for voluntarily requested compensatory time for VA nurses in lieu of overtime and premium pay; and

(4) to give the Administrator of Veterans' Affairs authority, presently residing in the Civil Service Commission and most narrowly exercised, to increase within grade the maximum pay rates authorized for DM&S dentists, nurses, physicians' assistants, expanded duty-dental auxiliaries, nursing personnel, and other health care personnel when necessary to meet competitive pay practices, provide for internal alignment of salaries, or to meet staffing requirements.

All of these provisions, except for (3) above, were in S. 2354 as passed by the Senate in the 92d Congress.

Physicians' Assistants

The Committee bill provides for the appointment under the title 38 personnel system of physicians' assistants and expanded-duty dental auxiliaries, utilizing salary levels in the Nurse Schedule in section 4107 of title 38.

In the Committee's opinion, there are several reasons why Physicians' Assistants should be included under title 38. First and most important, there is more flexibility under title 38 to make the salary adjustments necessary to the successful recruitment of Physicians' Assistants. Civil Service pay schedules are rigidly applied, and it has thus far been impossible to persuade the Civil Service Commission that entry grades should be altered. Under title 38, there is more flexibility to set entry grades and promotion rules.

Second, internal salary alignment within the VA is easier to achieve if personnel who work very closely together (such as physicians and physicians' assistants), as with physicians and nurses, are paid from a single, coordinated set of pay schedules.

And third, the VA physicians' assistant program is new, and has great promise of growing rapidly in the next decade. Close congressional oversight and supervision will be required, and including physicians, assistants under title 38 will permit those congressional Committees which specialize in veterans' affairs to monitor the physicians' assistant program as it matures and to provide any legislative authorities or guidance which may be necessary.

Expanded-duty dental auxiliaries are a new level of paraprofessional health care personnel whose duties and responsibilities are greater than those of the dental assistant and dental hygienist. They are, in broad terms, the Dental Service analogues to physicians' assistants, providing a broad range of paraprofessional support services as an extension of the dentist and expanding the capabilities of the Dental Service with regard to the extent and quality of patient care.

Currently, the VA employs no dental personnel classified as expanded-duty dental auxiliaries. It has advised the Committee, however, that it is reviewing the situation and plans to establish such positions and begin utilizing them soon. The Committee expects that the VA's expanded-duty dental auxiliary program will grow apace with the anticipated growth in the physicians' assistant program pursuant to the DM&S statutory mandates discussed earlier in this report.

Voluntary Compensatory Time Off for Registered Nurses

There are approximately 22,000 full-time registered nurses in the Department of Medicine and Surgery. A potential recruitment and retention problem has arisen because of an inequity fostered by one provision in present section 4107(e)(5) of title 38. Under this section, nurses who work overtime are not allowed to receive compensatory time off; instead, they must receive overtime pay for any overtime work performed. The provision was added to the Code in Public Law 93-82 in 1973 when title 38 nurses were first provided with premium and overtime pay eligibility, in order to protect nurses from any management pressure to accept compensatory time off at hospitals which could not afford or did not want to pay overtime pay.

In practice, the provision has worked an unintended hardship in some cases. Under the statute as currently written, nurses who work all night on an emergency basis are required to go directly into their working schedule the next day, because of the prohibition against compensatory time off. The problem has become so acute that nurse anesthetists and operating room nurses at more than a dozen VA hospitals have expressed very serious grievances to the Department of Medicine and Surgery.

The Committee bill thus would allow registered nurses who have performed overtime work to elect compensatory time off instead of overtime but only by requesting in writing that they receive compensatory time off. Dr. Chase expressed the Administration's support for this provision in his May 22, 1975, testimony to the Subcommittee.

In the Committee's opinion, compensatory time off in lieu of overtime pay should be considered for use only in the event that emergency time on the job has been required and the nurse in question considers it emergency time, and the individual voluntarily requests compensatory time off in writing.

Extension of Premium and Overtime Pay Benefits

The Committee bill extends the special premium and overtime pay benefits now available, as a result of Public Law 93-82, only to registered nurses in DM&S to all VA health care personnel whose primary responsibilities relate directly to patient care.

Under existing section 4107(e), as added in 1973, registered nurses who work overtime or at night, on Sundays or on holidays, qualify for special premium and overtime pay. The eligibility of VA title 5 personnel (licensed practical nurses, nursing assistants, technologists, technicians and others typically performing radiology, laboratory, and operating room duties) for premium and overtime pay derives from title 5 provisions, but these title 5 pay provisions are less comprehensive than those contained in title 38. For example, a registered nurse (RN) working overtime on Sundays is paid 175 percent of salary under title 38; an LPN working the same overtime Sunday hours receives only 150 percent of salary. An RN who is "on call" at home after completion of a full day's duty is paid at an hourly rate equal to 15 percent (that is, 10 percent of the overtime rate, which is 150 percent of base salary) of the regular rate; in other words, an RN who earned \$5 an hour would be paid 75¢ for each hour of time "on call". If called back to perform overtime work, the RN would be paid for each hour of call-back time at the overtime rate—\$7.50 per hour (but would be paid for a minimum of two such hours if called back for less than two hours).

Under title 5, an LPN "on call" or call-back status receives *no* premium pay at all. However, if called to duty to perform overtime work, the title 5 employee is guaranteed a minimum of two hours of pay, generally at the appropriate overtime or premium rate.

Thus, most VA *non*-title 38 employees receive no additional compensation for time spent in "call back" status except when *actually* called back.

An alternative system, "standby"—under the title 5 pay system—is used in approximately 60 of the 171 VA hospitals, although it is applied selectively by occupation and function. Under the standby system where used, an employee can be required to serve regularly scheduled duty periods in a standby capacity at the duty station. In certain instances, the employee's home can be designated as the duty station in which case such individual is to remain at home. Compensation for standby duty is paid as an annual premium pay amount, and is based on the average number of hours of standby duty scheduled for each week, with extra credit if standby duty falls during days not scheduled as work days. The formula followed in the VA provides for annual premium pay at 10 percent of base salary for an average of 8 to 13 hours of standby duty per week; 15 percent for an average of 14 to 18 hours of standby duty per week; 20 percent for an average of 19 to 27 hours of standby duty per week; and a maximum of 25 percent for an average of 28 or more hours of standby duty per week. The average percentage for standby pay in the VA is approximately 20 percent. However, it should be noted that under the title 5 standby system the employee receives no additional pay whatsoever beyond the annual standby pay for time actually called back.

For example, a medical technician who earns \$10,400 (the equivalent of \$5.00 an hour) would generally be paid \$2,080 in annual standby pay under title 5 (20 percent of \$10,400) for standby duty throughout the year—assuming an average of 19 to 27 weekly standby hours. If the medical technician were actually called back for 5 hours a week—approximately 20 percent of the average 23 weekly hours of standby time—whereas under title 5 he or she would be eligible to receive *no* additional pay for that time, were the Committee bill premium pay

provision to be enacted, he or she would receive, under the title 38 on-call system, \$1,950 additional over the year added to \$702 in on-call pay (18 hours average per week of on-call duty multiplied by \$.75 per hour). This amounts to annual premium pay of \$2,652 under the title 38 system, as compared with the \$2,080 payable under the title 5 standby system for comparable time.

In sum, first most VA title 5 health care personnel required to perform on-call duty receive no additional pay for such duty unless actually called back; and, second, in those selective instances where title 5 standby pay is applied, employees could receive a higher amount of premium pay were they paid under the title 38 on-call system.

The Chief Medical Director has indicated that there are definite problems in personnel working side by side and being governed by two sets of premium and overtime pay rules. Subsection (d)(2) of the Committee bill would add a new paragraph (10) to section 4107(e) making the title 38 premium and overtime benefits applicable to all personnel (except physicians and dentists) "whose principal responsibilities . . . relate directly to patient care."

The Committee contemplates that all allied professional health care and scientific personnel (physicians' assistants, and expanded-duty dental auxiliaries would be included here except that they are specifically brought under the title 38 premium and overtime pay benefits by other provisions in section 4) and health technician personnel will be considered personnel whose "principal responsibilities . . . relate directly to patient care". Allied professional health care and scientific personnel include all personnel occupying positions for which a baccalaureate or equivalent degree is required—for example, medical technologists, psychologists, social workers, pharmacists, dieticians, chemists and physicists. Health technician personnel include medical technicians, non-title 38 nursing personnel, all therapists, and all similar personnel with direct patient care responsibilities. Also included would be administrative (such as admitting clerks) and clerical (such as ward secretaries) personnel who work in direct support of persons rendering direct patient care.

Not included as personnel whose "principal duties . . . relate directly to patient care" would be other clerical personnel and administrative personnel not working in direct support of personnel providing direct patient care, and physical plant maintenance and protective personnel.

If, in the Chief Medical Director's opinion, other categories of personnel satisfy the test, under the Committee bill, for inclusion under the title 38 premium and overtime pay provisions, those categories should also be included. The Committee expects that any doubt will be resolved in favor of inclusion.

In-Grade Pay Adjustments

The starting salaries of health care employees in the VA health care system (other than physicians, dentists, and nurses) are fixed by Civil Service Commission pay and job standards. These salaries are in some cases several thousand dollars below those offered employees for comparable positions in non-VA facilities. This differential

between VA and non-VA starting salaries is the single most important non-physician recruiting problem facing the Department of Medicine and Surgery.

To assist the VA in recruiting qualified non-physician personnel, the Committee bill authorizes the Administrator of Veterans' Affairs to adjust the minimum and maximum salaries within grade, on a nationwide basis, for any category of health care personnel (except physicians) when such an adjustment is deemed necessary to aid in the recruitment of such personnel. Under the new subsection (g) to be added to section 4107 of title 38, adjustment could be ordered only for one of three specific purposes: (1) to provide pay "commensurate with competitive pay practices in the same occupation", (2) to achieve "internal alignment of pay rates" in the Department of Medicine and Surgery, and (3) to attract or retain certain shortage category personnel for employment at VA health care facilities.

The following example best explains the assistance subsection (g) is designed to provide to DM&S: assume a person who enters the VA at GS-3, or \$6,764 a year. Were the Administrator to determine (1) that, on a nationwide basis, persons in that category of personnel in non-VA facilities generally started at higher salaries than VA personnel in that category, and (2) that the salary differential had generated a recruitment problem for the VA, then he could raise the starting salary for persons in that category from \$6,764 to as much as \$8,789, the maximum salary under GS-3, step 10. The new subsection (g), in short, would give the Administrator considerable flexibility within grades, where necessary, to adjust VA starting pay and to make VA salaries more competitive with those offered by other health care facilities.

In order to allow for in-grade promotions after appropriate service, subsection (g) also allows the Administrator to permit incremental salary increases for each step comparable to those in the adjusted schedule. For example, the salary at GS-3, step 1, is \$6,764. At GS-3, step 2, it is \$6,989, an increase of \$225. If the Administrator adjusted the entry grade salary to the maximum permitted under GS-3 (\$8,334), then personnel in that category would start at that level; their first salary increase would be \$225, to \$9,014. Step-to-step increments, in short, would be preserved.

Subsection (g) has been revised from the version in S. 1711 as introduced to apply to all "health care personnel" in the VA. Optometrists, dentists, pharmacists, therapists, technologists, and all other health and allied health personnel could all, pursuant to the Administrator's discretion, enter the VA at a salary level adjusted where that was necessary to meet competition from outside hospitals. Optometrists, for example, enter the VA at GS-9, at a starting salary of \$12,841. If it were found that entering optometrists' salaries generally average \$16,500, with the result that the VA hospitals were experiencing difficulty in recruiting optometrists or categories of optometrists, the Administrator could, under subsection (g), raise the starting salary to as much as \$16,693—the GS-9, step 10, salary—as necessary to aid in the recruitment of needed optometrists.

The Committee believes that subsection (g) offers a valuable health care personnel recruitment tool for DM&S.

DM & S Study of Geographic Pay Adjustments

As introduced, the bill would have authorized necessary geographical adjustments for entry and other salary levels. The Subcommittee was concerned about the possibility of widespread local and regional salary variations, however, and the subsection (g) authority was restricted to use only on a nationwide basis. In order to have the data necessary to deal with this question, the Committee directs the Chief Medical Director to submit by October 1, 1975, a report specifying in detail: (1) the extent of regional recruitment and retention problems, and their location, in the employment of nonphysician VA health care personnel; (2) the extent to which existing title 38 and title 5 authorities have been able to be exercised in a way adequate to deal with those problems; and (3) the problems entailed in the VA or elsewhere in the Federal Government with the application of regional or local salary differentials, particularly any apparent tendency for health care personnel to move from areas where no special rates are in existence to take comparable positions in areas where special rates have been established in their occupations. The Chief Medical Director should consult with the Civil Service Commission in preparing this report.

EFFECTIVE DATES

The effective date of the physician special pay provisions in the Committee bill is July 1, 1975, the same effective date in the Administration's legislative proposal. Special pay for physicians would commence as of, and would be paid retroactive to, that date as to physicians then employed.

The Committee believes that this retroactive feature is an important part of the bill. Great interest and concern exists among physicians in the Department of Medicine and Surgery about the congressional consideration of and action on special pay legislation over the last several months. Many physicians in the Department of Medicine and Surgery are in the process this summer of planning their futures. They should be assured that unforeseen and unpredictable delays in the enactment of special pay legislation will have no effect on their own financial security within the Department.

The lack of comparability of VA physician pay with that of physicians in the uniformed services has been of a critical dimension for a considerable period of time. The Committee believes this inequity should be corrected as soon as possible and that an effective date of July 1 would achieve this goal.

The duration of the special pay authority is tied, under the Committee bill, to the expiration date of the authority contained in section 313 of title 37. The latter authority is due to expire on July 1, 1976. If that authority is extended, the authority under the Committee bill would be extended with it for an equivalent period of time.

The Committee contemplates that, upon enactment of the Committee bill, the VA would issue regulations and proceed, pursuant to those regulations, to enter into agreements with physicians for service in the Department of Medicine and Surgery. Special pay would be payable under such an agreement from July 1, 1975, as to a physician then employed by DM&S—and from the date employment begins as to a physician hired after July 1—and the agreement should recite that part of the consideration for the full year's special pay was the physician's decision to remain in or join DM&S in anticipation of the enactment of VA physician special pay legislation.

COST ESTIMATES

In accordance with section 252(a) of the Legislative Reorganization Act of 1970 (Public Law 91-510), the Committee, based on information supplied by the Veterans' Administration, estimates that the costs attributable to S. 1711 as reported would be approximately \$70.8 million for the first full fiscal year, gradually decreasing to \$36.56 million in the fourth fiscal year and \$8.17 million for the fifth fiscal year.

The Chairman of the Committee, Senator Vance Hartke, in a March 15, 1975 letter to the Senate Budget Committee, as required by section 301(c) of the Congressional Budget Act of 1974 (Public Law 93-344), stated that it was likely that an omnibus veterans medical bill would be enacted in fiscal year 1976, including provisions to "add special authorities to enable the VA to recruit and retain physicians, dentists, nurses, and other health care personnel. . . ." A first full-year cost of \$95 million in additional expenditures was predicted for the omnibus bill. The Committee later determined to separate the recruitment and retention provisions—the most costly of those projected for the omnibus medical bill—from the other anticipated provisions in that bill and to proceed separately with consideration and action on S. 1711. The Budget Committee, in its deliberations and report, contemplated enactment of such omnibus legislation, entailing additional fiscal year 1976 budget authority of \$95 million and additional fiscal year 1976 outlays of \$55 million, assuming a January 1, 1976 effective date for such legislation. Similar projections were made by the House Veterans' Affairs Committee in its report to the House Budget Committee, and the latter Committee also took into account the enactment of VA physician special pay legislation in reaching its final estimates. On May 22, 1975, the Administrator of Veterans' Affairs endorsed the concept of a physician special pay bill, submitting draft legislation to the Congress with an estimated cost of \$63 million for fiscal year 1976.

A breakdown of the costs estimated to be entailed by enactment of S. 1711 as reported is contained in the following table:

TABLE 2—5-YEAR COST ESTIMATE OF S. 1711 AS REPORTED

	[In millions of dollars]				
	1976	1977	1978	1979	1980
New rates for Section 4103.....	No cost	No cost	No cost	No cost	No cost
Special pay for physicians ¹	\$ 63.0	\$ 47.30	\$ 37.80	\$ 28.40	.....
Compensatory time for nurses.....	No cost	No cost	No cost	No cost	No cost
Premium pay for physicians' assistants, expanded-duty dental auxiliaries, LPN's, LVN's, nursing assistants, and certain other health care personnel....	6.50	6.50	6.50	6.50	6.50
Nurse Schedule for physicians' assistants and expanded-duty dental auxiliaries ².....	.30	.55	.67	.67	.67
Special rates for dentists, nursing personnel, physicians' assistants, expanded-duty dental auxiliaries, and other health care personnel.....	1.00	1.00	1.00	1.00	1.00
Total cost.....	70.80	55.35	45.97	36.57	8.17

¹ Cost estimates range between \$52,000,000 and \$79,000,000 for the physician special pay provisions in view of the uncertainty about changes which may occur in the number of part-time physicians who would convert to full-time status. The maximum estimate of \$78,940,000 is based on the assumption that all part-time physicians who are employed on a half-time or more basis would elect to convert to full-time status and includes an estimated increase in base salary costs of \$20,530,000. The minimum estimate of \$52,030,000 is based on the assumption that no part-time physicians would elect to convert to full-time status. The midpoint estimate would be approximately \$63,000,000, and is based on the assumption that one-half of the part-time physicians employed on a half-time or more basis would elect to convert to full-time status, incurring an additional estimated base salary cost of \$10,300,000, and that one-half of such physicians would not elect to convert to full-time status.

² The fiscal years 1977, 1978, and 1979 estimates are based on a VA projection that 75 percent of the VA physicians would elect to enter into agreements for more than 1 year and based on anticipated attrition in those years.

³ The VA originally estimated the cost of this item at \$34,500,000, on the assumption that salaries for licensed practical/vocational nurses and nursing assistants would have to be adjusted across-the-board. The estimate was later lowered to \$14,600,000, with this one sentence explanation: "If special rates were authorized on a selective basis, based on adjustments where essential to provide for competitive salary rates for LPN's, LVN's and nursing assistants, the first year cost is estimated to be \$14,620,000." On July 15, after analyzing the changes in subsection (g) as reported from subcommittee on July 9 (to restrict the application of the special rate authority to meet nationwide recruitment and retention problems), the VA advised that a nationwide schedule for health care personnel would raise inequities and result in unnecessary expenditures for many facilities, and that it was "doubtful that his authority would be used for [such] internal alignment purposes." The VA indicated that if the authority were used to increase LVN and nursing assistant entry rates on a nationwide basis, the potential cost would be \$34,500,000. The cost of the provision, of course, would depend, in any event, on the extent to which the Administrator uses the authority granted to him to adjust entry levels. The series of sharply reduced cost estimates from the VA indicates that the Chief Medical Director and the Administrator will probably use this authority sparingly. Furthermore, there is no assurance that money will be appropriated specifically for purposes of subsection (g). Each time the Administrator makes the decision to adjust entry grades, he will likely have to spend funds appropriated for general medical care. This suggests that the final expenditure under this provision will not exceed the VA's latest cost estimate.

TABULATION OF VOTES CAST IN COMMITTEE

In compliance with sections 133 (b) and (c) of the Legislative Reorganization Act of 1946, as amended, the following is a tabulation of votes cast in person or by proxy of the Members of the Committee on Veterans' Affairs on a motion to report S. 1711, with an amendment in the nature of a substitute, favorably to the Senate. Adopted: 8 yeas; 1 nay.

Yeas—8

Nays—1

Vance Hartke
Herman E. Talmadge
Jennings Randolph
Alan Cranston
Richard (Dick) Stone
Clifford P. Hansen
Strom Thurmond
Robert T. Stafford

William L. Scott

SECTION-BY-SECTION ANALYSIS OF S. 1711, AS REPORTED, PROPOSED
VETERANS' ADMINISTRATION PHYSICIAN PAY COMPARABILITY ACT
OF 1975

SECTION 1

Provides that this Act may be cited as the "Veterans' Administration Physician Pay Comparability Act of 1975".

SECTION 2

Amends subchapter I of chapter 73 of title 38, United States Code, to provide special pay and other improvements to assist the Department of Medicine and Surgery (the "Department") in recruiting and retaining career physicians in the VA.

Subsection (a) declares as a Congressional finding of fact that two factors have seriously impaired the Department's ability to recruit and retain qualified physicians: (1) the \$36,000 statutory ceiling on the salary of physicians employed by the Department, the effect of which has been aggravated by the sharp escalation in the cost of living since the rates of compensation were last increased in 1969, and (2) the noncomparability of physician salaries in the Department relative to the salaries of physicians in other Federal agencies, as the result of the enactment last year of legislation to provide special pay of up to \$13,500 annually to physician medical officers in the uniformed services, under which legislation physicians in the Department were not included. Further declares as a Congressional finding of fact that the recruitment and retention problems thereby created threaten to erode the ability of the Department to compete for the services of qualified physicians and to continue to provide quality health care to eligible veterans.

Subsection (b) makes a series of amendments to present section 4107 of title 38 (specifying grades and pay scales) designed to place the salaries of the top three officials of the Department within title 38 rather than in the Executive Schedule in title 5, United States Code, as at present, as follows:

Clause (1) amends subsection (a) by deleting, in light of the amendment made in clause (2) and subsection (c) of this section of the bill, the language which denotes that the pay scale of the Chief Medical Director and Deputy Chief Medical Director are not provided for in the "Section 4103 Schedule".

Clause (2) amends subsection (a) by striking out the present reference to the salary of the Associate Deputy Chief Medical Director (specified to be at the annual rate provided in section 5316 of title 5 for positions in level V of the Executive Schedule) and substitutes for that reference designations of salary levels for the Chief Medical Director (\$49,700), Deputy Chief Medical Director (\$48,500), and Associate Deputy Chief Medical Director (\$47,300). The salaries of these three top officers of DM&S are currently set by the Executive Schedule as follows: \$40,000 for the Chief Medical Director; \$38,000 for the Deputy Chief Medical Director; and \$36,000 for the Associate Deputy Chief Medical Director. All of the positions at executive level III are filled by Presidential appointment by and with the advice and consent of the Senate; the same is true of virtually all the positions at executive levels IV and V as well. In contrast, the three top DM&S

officers are nonpartisan officials appointed for four-year statutory terms of service by the Administrator of Veterans' Affairs, not by the President.

The \$49,700 pay level proposed for the Chief Medical Director in the bill derives from the executive level III salary proposed by the President on February 4, 1974, as part of a three-year adjustment plan for the Executive Schedule salaries (*Appendix to the Budget for Fiscal Year 1975*, page 1030); the salaries of the Deputy Chief Medical Director and Associate Deputy Chief Medical Director are set at \$1,200 and \$2,400 lower, respectively, slightly higher than the executive III and IV levels proposed by the President at that time in order to bring the salary of the Associate Deputy Chief Medical Director to a higher level than that presently set forth for Assistant Chief Medical Directors (\$46,336) as in the "Section 4103 Schedule" in present section 4107(b).

Clause (3) amends present section 4107(d) to set a \$40,000 salary ceiling for the Chief Medical Director and a \$38,000 salary ceiling for the Deputy Chief Medical Director—their present statutory levels—by reference to levels III and IV, respectively, in the Executive Schedule. It should be noted that all of the salaries in the "Section 4103 Schedule", to the extent that they exceed \$36,000, are governed by the limitation in present subsection (d) applying to title 38 positions the \$36,000 ceiling set forth in section 5308 of title 5, United States Code. Since this same ceiling would thus, by virtue of the amendments made by clause (2), apply to the salaries of the Chief Medical Director and Deputy Chief Medical Director, thereby reducing them by \$4,000 and \$2,000, respectively—which would be unfair to the incumbents of that office (particularly insofar as Civil Service retirement credit is concerned)—subsection (d) of section 4107 is amended to set the salary ceiling at their current salary levels. The transfer of the prescription of their salary levels to title 38 would not, therefore, reduce their salaries below the current levels. For all other personnel in title 38, the \$36,000 ceiling would remain in effect.

Subsection (c) makes conforming amendments to sections 5314 and 5315 of title 5, United States Code, consistent with the amendments made by subsection 2(b) of the bill.

Subsection (d): Paragraph (1) adds a new section 4118 to title 38, United States Code, providing for the payment to eligible physicians in the Department of special pay, in the form of a variable incentive bonus, of up to \$13,500 annually, upon acceptance of a written agreement executed by the eligible physician to complete a specified number of years of service in the Department.

New section 4118(a): Paragraph (1) directs the Administrator, pursuant to regulations which he shall prescribe, to provide special pay of up to \$13,500 per annum to eligible physicians.

Paragraph (2) permits exclusion from eligibility for special pay of those professional (not administrative) categories of physicians as to which, as determined by the Chief Medical Director pursuant to the Administrator's regulations, there is no significant recruitment and retention problem in securing the services of highly qualified physicians.

New section 4118(b): Paragraph (1) directs the Administrator to exercise the authority granted him under new section 4118(a) to provide base special pay and additional special pay to categories of physicians in the Department, as follows:

(A) To the top three officials of the Department, the Administrator is required to pay the maximum amount of special pay (\$13,500).

(B) To all eligible full-time physicians in the Department, including full-time physician hospital directors, the Administrator is required to pay base special pay equal to 45 percent of the maximum amount (\$6,075).

(C) To all eligible part-time physicians in the Department, the Administrator is required to pay base special pay equal to the proportion of 45 percent of the maximum amount (\$6,075) that corresponds to the proportion of time employed by the Department. (For example, a physician who worked seven-eighths time in the Department would receive \$5,316 in base special pay; a physician who worked half-time in the Department would receive \$3,038, and so forth.)

Paragraph (2) provides that in addition to the base special pay described above, the Administrator may provide additional special pay, not to exceed 55 percent of the maximum amount of special pay (\$7,425) to all eligible full-time and part-time physicians in the Department. In awarding additional special pay, the Administrator is directed to consider five objective factors: (A) the scarcity of a physician's medical specialty; (B) the physician's tenure; (C) the physician's education; (D) the responsibilities of the physician; and (E) the extent to which veterans in the geographical area in question are medically underserved by the appropriate Veterans' Administration facility. In the case of part-time physicians, the amount of additional special pay awarded must be reduced, first, by \$2,025, one-third of the maximum amount of base special pay (\$6,075) and then in proportion to the fraction of time spent in employment at the Department. Thus, there would be an automatic differential of at least \$2,025 between the additional special pay for full-time and part-time physicians, the purpose of which is to create an incentive for full-time service for physicians already in the Department and physicians offered positions by the Department in the future.

New section 4118(c): Paragraph (1) requires that the written agreement entered into by physicians with the Department for the payment of special pay shall be for 1 year of service and 1 year of special pay eligibility; but if the physician requests that the agreement be for a longer period of service, then an agreement will be entered into for up to 4 years of service and 4 years of eligibility for special pay.

Paragraph (2) specifies that the agreement shall (A) provide a requirement that the physician refund to the Department the total amount of special pay received under the new section 4118 in the event that the physician fails to complete at least 1 year of service pursuant to the agreement; and (B) specify the terms under which the Veterans' Administration and the physician may elect to terminate the agreement.

Paragraph (3) provides for establishment of the method of installment payment pursuant to regulations promulgated by the Administrator.

Enactment of the new special pay provisions would probably entail a first full-year cost of \$63 million.

Paragraph (2) of the bill amends the table of sections to add a reference to the new section 4118 added to title 38 by paragraph (1) of section 3(d) of the bill.

SECTION 3

Subsection (a) requires the Administrator of Veterans' Affairs to submit an annual report to the Senate and House Committees on Veterans' Affairs regarding the operation of the special pay program, authorized by new section 4118 added to title 38 by section 2(d)(1) of the bill, setting forth a review of the implementation of the program to date for the fiscal year for which the report is submitted, and for any portion of the preceding fiscal year not included in a previous annual report; and any plans for the program for the succeeding fiscal year. This report is to be submitted not later than April 30 each year. This reporting requirement is virtually identical to that of subsection (e) of section 313 of title 37, United States Code, with respect to the section 313 annual special pay program authorized by that section, as added by Public Law 93-274.

Subsection (b) directs the Director of the Office of Management and Budget, after consultation with the Administrator of Veterans' Affairs, the Secretary of Defense, the Secretary of HEW, the Chairman of the Civil Service Commission, and the heads of other appropriate Federal departments and agencies, to submit to the appropriate Congressional Committees, not later than March 1, 1976, a report proposing a permanent legislative solution to the problem of attracting and retaining the services of highly qualified physicians and other health care personnel in the Veterans Administration, in other non-uniformed Federal service, and in the uniformed services, along with the justification for such a proposal. This proposal, to the maximum extent feasible, is to provide for uniform pay, allowances, and benefits for all such physicians and personnel. The Administration has already begun such a study, presently scheduled to be completed by the end of 1975, and the Chief Medical Director has pledged to participate actively in this study. It is hoped that an acceptable proposal will be forthcoming to replace the existing section 313 of title 37 special pay program, which is presently scheduled to expire on June 30, 1976, as well as the new VA physician special pay program provided for in the bill.

SECTION 4

Amends chapter 73 of title 38 for four purposes:

(1) to provide for the appointment under the title 38 DM&S personnel system of physicians' assistants and expanded-duty dental auxiliaries utilizing the nurse pay schedule;

(2) to provide for the payment of overtime and premium pay presently payable to title 38 nurses to licensed practical nurses, licensed vocational nurses, nursing assistants and other health care personnel, employed by the Veterans' Administration under the General Schedule (as well as to physicians' assistants and expanded-duty dental auxiliaries) whose responsibilities relate directly to the provision of patient care;

(3) to provide for voluntarily requested compensatory time for VA nurses in lieu of overtime and premium pay; and

(4) to give the Administrator of Veterans Affairs authority, presently residing in the Civil Service Commission and most narrowly exercised, to increase within grade the maximum pay rates authorized for DM&S dentists, nurses, physicians' assistants, expanded duty-

dental auxiliaries, nursing personnel, and other health care personnel when necessary to meet competitive pay practices, provide for internal alignment of salaries, or to meet staffing requirements.

All of these provisions, except for (3) above, were in S. 2354 as passed by the Senate in the 92d Congress.

Subsection (a) amends clause (1) of present section 4104 (authorizing appointment of additional health professional personnel) to include physicians' assistants and expanded-duty dental auxiliaries in that clause specifically.

Subsection (b) amends present section 4105 (specifying qualifications of appointees) to include appropriate references to physicians' assistants and expanded-duty dental auxiliaries in subsections (a) and (b) of that section. The Administrator is charged with setting the qualifications and experience for these new positions by the amendment made to present section 4104 by subsection (a) of this section of the bill.

Subsection (c) adds at the end of present section 4106 (regarding periods of appointments and promotions) a new subsection (f) including by reference physicians' assistants and expanded-duty dental auxiliaries under the provisions of that section.

Subsection (d): clause (1) amends paragraph (5) (presently prohibiting compensatory time off in lieu of overtime and premium pay for nurses) of present section 4107 to permit such compensatory time off to be granted but only upon the voluntary written request of the nurse in question. This provision is intended to be used only in situations where the nurse has been engaged in emergency duty preceding a regularly scheduled tour. Enactment would entail a minor cost savings.

Clause (2) adds at the end of subsection (e) of present section 4107 (specifying overtime and premium pay for nurses) a new paragraph (10) to make the premium pay and overtime provisions in that subsection applicable to licensed vocational nurses, licensed practical nurses, nursing assistants, and other health care personnel whose principal responsibilities relate directly to patient care in lieu of the present title 5, United States Code, provisions now applicable to them.

This would constitute a change in overtime and premium pay under the General Schedule for these personnel in the following respects to: (1) make applicable the more liberal 4-hour rule for night shifts; (2) pay overtime during Sundays at 175% rather than 150%; (3) pay overtime for holidays at 200% rather than 150%; (4) apply the 15 minute pre-overtime rule; and (5) provide for on-call pay. Enactment of this provision would probably entail a first full-year cost of approximately \$6.4 million.

Clause (3) inserts at the end of present section 4107 two new subsections as follows:

New section 4107(f) entitles physicians' assistants and expanded-duty dental auxiliaries to compensation under the Nurse Schedule grade titles and related pay ranges and to additional pay on the same basis as provided for nurses in paragraphs (2) through (8) of subsection (e) of section 4107. (They would also be eligible for title 38 premium and overtime pay pursuant to the paragraph (10) added to section 4107 by clause (2) of this subsection.) Enactment of this

provision would probably entail an average full-year cost of \$.6 million (estimating a \$2,000 higher entry salary and a quadrupling of the present number (81) of physicians' assistants presently employed by the VA).

New section 4107(g) directs the Administrator to raise entry pay to the maximum permissible levels within grade, and to make commensurate adjustments for within grade steps, in no event exceeding the \$36,000 Federal ceiling, for VA health care personnel on a nationwide basis in order to recruit and retain their services when necessary to: (1) provide pay to meet competitive pay outside the VA, (2) achieve internal alignment of pay rates within the Department of Medicine and Surgery, or (3) meet VA hospital staffing requirements. There is similar Government-wide authority, under section 5303 of title 5, United States Code, reposing in the Civil Service Commission. Enactment of this provision would probably entail additional expenditures of approximately \$1 million in the first full year (although conceivably a much greater cost could result if, as the VA deems unlikely, LVN and nursing assistant entry grades were adjusted on a systemwide basis).

Subsection (e) amends present section 4108 (regarding the setting of hours and conditions of work for physicians, dentists, and nurses) to add physicians' assistants and expanded-duty dental auxiliaries under the provisions of this section.

SECTION 5

Subsection (a): Paragraph (1) provides that the VA physician special pay provisions in section 2(d) of the bill shall become effective as of July 1, 1975. The Committee contemplates that, upon enactment of the bill, the VA would issue regulations and proceed, pursuant to these regulations, to enter into agreements with physicians for service in the Department of Medicine and Surgery. Special pay would be payable under such an agreement from July 1, 1975, as to a physician then employed by DM&S—and from the date employment begins as to a physician hired after July 1—and agreements including retroactive service periods should recite that part of the consideration for the full year's special pay was the physician's decision to remain or begin employment in DM&S in anticipation of the enactment of VA physician special pay legislation.

Paragraph (2) provides that no special pay may be provided pursuant to the new section 4118 (added to title 38 by section 2(d)(1) of the bill) after the later of July 1, 1976, or the expiration date (presently July 1, 1976 or as extended by law) of the uniformed services annual special pay authority as authorized in section 313 of title 37, as amended by Public Law 93-274.

Subsection (b) provides that the amendments made by the bill (except for the special pay provisions, those relating generally to pay and other matters with respect to physicians' assistants, expanded-duty dental auxiliaries, licensed vocational and licensed practical nurses, nursing assistants and certain other VA health care personnel) shall become effective beginning the first pay period following 30 days after the date of enactment of the bill.

AGENCY REPORTS

The Committee requested and received a number of reports from the Veterans' Administration and the Office of Management and Budget on the several bills pending before the Committee which would provide special pay and other improvements designed to enhance the recruitment and retention of medical care personnel in the Department of Medicine and Surgery of the Veterans' Administration. These reports follow:

[No. 12]

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., May 22, 1975.

HON. VANCE HARTKE,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This will respond to your request for a report by the Veterans' Administration on S. 1711, 94th Congress, a bill "To amend title 38, United States Code, to provide special pay and other improvements designed to enhance the recruitment and retention of physicians, dentists, nursing personnel, and other health care personnel, in the Department of Medicine and Surgery of the Veterans' Administration, and for other purposes."

The subject bill would amend section 4107(a) of title 38, to delete the language which denotes that the pay scale of the Chief Medical Director and the Deputy Chief Medical Director are not provided for in the "Section 4103 Schedule." The current language in that schedule relating to the pay for the Associate Deputy Chief Medical Director, would also be deleted. In the place of the deleted language, the bill would establish within title 38 the salary level for the Chief Medical Director at \$49,700; the Deputy Chief Medical Director at \$48,500; and the Associate Deputy Chief Medical Director at \$47,300. Since all of the salaries in the "Section 4103 Schedule" are currently limited to \$36,000 per annum, the bill would provide that these amendments would not serve to reduce the per annum salary rate of the first two named positions. Consequently, these officials would continue to receive \$40,000 and \$38,000 annually, respectively, as is currently provided for in the Executive Schedule in title 5.

The subject bill would also amend section 4107(d) of title 38, to provide that, notwithstanding the annual salary ceiling limitation, the Administrator would be authorized to utilize (where applicable) the special pay provisions contained in section 313 of title 37, United States Code, in order to provide, in addition to any other pay or allowances to which such individual is entitled, special pay, in the nature of a variable incentive bonus, to any physician employed in the Department of Medicine and Surgery. Section 313, in addition to other provisions, requires the physician to execute a written agreement under which he will receive incentive pay for completing a specified number of years of continuous active duty. Although not specified in the bill, we would assume that this requirement would be applicable to VA physicians. The maximum amount of special pay (\$13,500) would be paid to the three top officials of the Department of Medicine and Surgery.

The bill would also establish two types of special pay: (1) base special pay which is the minimum amount to which each VA physician is entitled; and (2) additional special pay which may be paid at the Administrator's discretion. Base special pay in the amount of 45 percent (\$6,075) of the maximum special pay amount will be paid to all full-time physicians employed in the Department of Medicine and Surgery and all those part-time physicians whose service on a less-than-full-time basis is due to the medical needs of DM&S rather than their own preference. Physicians whose part-time service is for their convenience may be paid base special pay of up to 30 percent (\$4,050) of the maximum special pay amount.

In addition to the amounts of base special pay, the Administrator is given discretion to pay an amount of additional special pay to DM&S physicians based upon specified factors. Additional special pay would be paid in consideration of the scarcity of the medical specialty, the tenure, education, and responsibilities of the physician involved, and the geographical area to which it is proposed to assign such physician. The additional special pay provided to a part-time physician is required to be prorated based on the proportion of full-time employment that he serves. The authorities provided to the Administrator in connection with the provision of special pay would expire on the date on which the authority in section 313 of title 37 expires, namely, June 30, 1976.

The bill would also amend section 4107(d) of title 38, to provide that special pay would not count for purposes of computing certain benefits under title 5 (lump sum leave payments, severance pay, and other benefits relating to amounts of basic compensation). In addition, it would extend the special pay to nonphysician hospital directors.

The bill would require the Administrator to submit a report each year to the Committees on Veterans' Affairs of the Senate and House of Representatives, regarding the operation of the special pay program. In addition, the Director of the Office of Management and Budget is directed to submit to the appropriate Committees of the Senate and the House of Representatives, not later than March 1, 1976, a report proposing a permanent legislative solution to the problem of attracting and retaining the services of highly qualified physicians and other health care personnel in the Federal and uniformed services.

Finally, the bill would amend chapter 73 of title 38, to accomplish the following purposes:

(1) to provide for the appointment, under title 38 DM&S personnel system, of physicians' assistants and dental therapists, utilizing the nurse pay schedule;

(2) to provide for the payment of overtime and premium pay presently payable to title 38 nurses, to licensed practical nurses, licensed vocational nurses, and nursing assistants, as well as the physicians' assistants and dental therapists;

(3) to provide for voluntary requested compensatory time off for VA nurses in lieu of overtime; and,

(4) to give the Administrator authority to increase within grade the maximum pay rates authorized for DM&S dentists, nurses, physicians' assistants, dental therapists, and nursing personnel, when necessary to meet competitive pay practices or staffing requirements.

The recent Department of Medicine and Surgery Task Force report on recruitment and retention, recognized that the most critical problem confronting DM&S is the recruitment and retention of an adequate staff of well qualified personnel essential to providing high quality health care for veterans. The report states that a principle deterrent to successful recruitment and retention of these professionals rests in inadequate pay schedules which preclude competitive remuneration for their services.

As shown by a recent survey, in calendar year 1974, two-thirds of outside physicians given a firm offer of VA employment declined on the basis of inadequate salary. Many career full-time physicians are converting to part-time positions to augment their salaries. VA's physician salary levels are more attractive for foreign-trained physicians than for U.S. trained physicians.

The currently imposed \$36,000 per annum limitation places salary restriction on about 40 percent of the physicians and dentists now employed full-time in the Department of Medicine and Surgery. Some have been affected by this restriction for as much as five years while, simultaneously, the cost of living has risen in excess of 33 percent. The alarming number of those under salary restriction has eroded and will further erode the competitive position of the Department of Medicine and Surgery in recruitment efforts and, more importantly, in retention of these key professionals. On the other hand, it must be acknowledged that this is not a problem unique to the Department of Medicine and Surgery of the Veterans Administration. The present limit on executive salaries has imposed problems of recruitment and retention throughout the Executive and Judicial branches of the Government.

Other large Federal medical manpower systems face similar problems of physician recruitment and retention. With these problems in mind, the Congress authorized an experimental "doctor bonus" program which is currently underway in the military and the Public Health Service Commissioned Corps. This authority expires on June 30, 1976. As you are aware, bonuses for those two groups of physicians were authorized last year in Public Law 93-274, and began to be paid in September. In view of the experimental nature of the doctor bonus program, Congress called for a thorough study of its costs, benefits, and impact on physician recruitment and retention. The Department of Defense and the Department of Health, Education, and Welfare are required to submit interim and final evaluation reports to the Congress by April 30, 1975, and April 30, 1976.

Thus, the magnitude of the problem facing the Department of Medicine and Surgery of the Veterans Administration in trying to carry out its mission of providing quality care to our veterans becomes obvious. We would like to point out, however, that the Administration has already moved to implement most of the recommendations of the VA Quality Survey. Despite the necessary limitations imposed on the growth of most Federal programs this year, the President's 1976 Budget provides 6,200 new positions and an increase of \$240 million to implement the Study recommendations.

We continue to support the findings and recommendations of the Department of Medicine and Surgery Task Force in regard to the need to improve the quality of medical care. We believe the 1976 budget

represents great strides in this regard. We also believe that acceptable solutions to the remaining problems cannot be considered solely in the context of the Veterans Administration, but must be viewed in the context of the overall economic difficulties facing this Nation.

In his State of the Union Message last January 15, 1975, the President proposed a major tax reduction to stimulate economic recovery and recommended a series of actions to meet the Nation's energy problems. He pointed out that these proposals would result in a sizable budget deficit. Accordingly, he called for a curb on the rate of increase in domestic programs that has occurred in recent years.

In signing, on March 29, the tax reduction bill enacted by the Congress—which totalled \$23 billion rather than the \$16 billion he recommended—he pointed out that the budget deficit would reach \$60 billion in fiscal year 1976, as estimated on that date. He said:

I will resist every attempt by the Congress to add another dollar to this deficit by new spending programs. I will make no exception, except where our long-range national security interests are involved, as in the attainment of energy independence or for urgent humanitarian needs.

During this time when millions of workers have no job at all, and when we are still experiencing considerable inflationary pressure, we must demonstrate restraint in handling proposals for pay raises, or increases in benefit programs. However, in light of the urgent requirement to assure the maintenance of high quality care, as a humanitarian need, for our deserving veterans, I will be transmitting to the President of the Senate a draft bill to provide VA physicians a variable allowance comparable to the pay adjustment that is currently available to physicians in the uniformed services. This legislative authority would be effective July 1, 1975, and terminates on June 30, 1976, which is identical to the concluding date for Public Law 93-274, the "Special Pay Structure Relating to Medical Officers of the Uniformed Services Act."

A review of all available information does not suggest that our recruitment and retention of dentists and nurses are suffering to an equivalent degree on the basis of a disparity in reimbursement level. Therefore, our draft bill proposing the variable allowance is limited to VA physicians. This is consistent with the specific limitation Congress approved for the Department of Defense and the Department of Health, Education, and Welfare last year in Public Law 93-274, which restricted incentive pay to physicians only.

As noted earlier, the Administration has undertaken an evaluation of the effect of the variable incentive pay program on the recruitment and retention of physicians in the Department of Defense and the Department of Health, Education, and Welfare, with a view toward developing a more uniform and equitable approach to the problem of Federal physician compensation. It is our intention to also participate in this effort, including our own evaluation of the recommended VA variable allowance. Based upon the results of this evaluation, the Administration will also review or develop any necessary and appropriate legislative proposals as part of its Fiscal Year 1977 legislative program.

Accordingly, we agree in principle with the purpose of the provisions of S. 1711 relating to special pay for DH&S physicians on a basis similar to the provisions of Public Law 93-274, applicable to physicians in the uniformed services. However, we oppose certain specific provisions of the bill to accomplish that purpose, including the provision which would require us to use the authority contained in 37 U.S.C. 313, which was designated for an entirely different type of employment situation, and the restrictions and limitations placed on the amount of, and authorization for, special pay.

We oppose that feature of section 2(4)(2) of the subject bill which would require a determination for each physician employed part-time as to whether or not such physicians' services are required only on a less-than-full-time basis. Requirements for physicians' services fluctuate and it would be extremely difficult to maintain equity in making such determinations. In addition, we do not believe discrimination in pay rates on this basis is proper or would be helpful to us in obtaining or retaining highly qualified physicians.

As we indicated earlier, we favor a joint Federal review of the problem of recruiting and retaining the services of highly qualified physicians, and anticipate participating in such a study now being conducted within the Administration.

With respect to the provisions of the bill concerning Department of Medicine and Surgery employees other than physicians it is our view that they should be considered separately, in light of the critical need for early action on physician pay. This need is emphasized by the temporary nature of that part of the bill which affects physicians' pay. The changes proposed for other than physicians are not time limited and we believe they should be dealt with as separate legislation. Furthermore, because of the economic situation now present in this country, we believe considerable restraint must be demonstrated in dealing with all but the most urgent humanitarian needs. Moreover, we believe that a majority of the proposals contained in the bill are undesirable for the following reasons:

We believe it would be inappropriate to place physicians' assistants and dental therapists in the title 38 systems. (Currently we have approximately 85 physicians' assistants, but have not established any dental therapists' positions.) We are also uncertain about the implications of 5 U.S.C. 5301(a)(4), concerning the interrelationship of the statutory pay systems, if these two categories of employees would be paid under the Nurse Schedule.

While we recognize there are differences in premium pay for Department of Medicine and Surgery nurses and other nursing personnel, we do not favor applying the same Department of Medicine and Surgery nurse premium pay provisions to licensed practical or vocational nurses and nursing assistants; application of these provisions would be inconsistent with statutory premium pay for other hospital employees. We wish to point out that the Civil Service Commission plans to review premium pay for Federal employees generally, including the overtime pay provisions

of the Fair Labor Standards Act, as a part of its overall review of the Federal pay comparability process.

The authority proposed in new subsection (g) of section 4107 of title 38 for the Administrator to set special rates for dentists, nursing personnel, physicians' assistants, and dental therapists is analogous to that pertaining to General Schedule employees vested in the President in 5 U.S.C. 5303 and delegated to the Civil Service Commission under the provisions of Executive Order 11721. However, the basis for establishing such special rates under the proposed subsection (g) authority is broader than the Commission's authority, and is apparently intended to enable adjustments based on pay of other hospital employees, including those subject to the Federal Wage System such as food service workers and housekeeping aids. We have not felt it necessary to request the Commission to consider special rates for DM&S dentists and nurses, and we have held discussions with Commission staff concerning information about staffing and pay of physicians' assistants and dental hygienists. We currently have Commission approval of special rates for licensed practical nurses at five locations. Several years ago, special rates were in effect for nursing assistants in three locations, but were discontinued as a result of statutory pay adjustments. With respect to locality pay, the Commission is actively engaged in a study of establishing locality pay schedules for certain General Schedule occupations, including nursing assistants. Accordingly, we believe this proposed amendment is unnecessary and inappropriate at this time.

In summary, I respectfully request that no action be taken on the proposals contained in S. 1711. Instead, we recommend that the Committee consider favorably the proposal referred to above, which we will be submitting to the President of the Senate. In view of the budgetary and equity considerations already mentioned, we would be unable to recommend that the President approve any legislation which would extend the incentive pay provisions to other than physicians, or which would provide for benefits beyond the scope of the incentive pay proposal discussed above.

Enactment of S. 1711 would result in an estimated cost of \$102.3 million for the first fiscal year. A chart showing a detailed breakdown of the estimates of costs for each of the first five fiscal years is enclosed.

We are advised by the Office of Management and Budget that enactment of S. 1711 would not be in accord with the program of the President. However, enactment of the Administration proposal we have discussed above would be in accord with the program of the President.

Sincerely,

RICHARD L. ROUDEBUSH,
Administrator.

Enclosures.

5-YEAR COST ESTIMATES FOR S. 1711, 94TH CONG.

(In millions)

	Fiscal year—				
	1976	1977	1978	1979	1980
New rates for sec. 4103.....	(1)	(1)	(1)	(1)	(1)
Special pay for physicians ²	\$52.03-\$78.94	\$52.03-\$78.94	\$52.03-\$78.94	\$52.03-\$78.94	\$52.03-\$78.94
Compensatory time for nurses.....	(1)	(1)	(1)	(1)	(1)
Premium pay for physicians' assistants, dental therapists, LPN's, LVN's, and nursing assistants.....	4.50	4.50	4.50	4.50	4.50
Nurse Schedule for physicians' assistants, dental therapists.....	.30	.55	.67	.67	.67
Special rates for dentists, nursing personnel, physicians' assistants, dental therapists.....	(2)	(2)	(2)	(2)	(2)

¹ No cost.

² Ranges of cost estimates are provided for the physician special pay provisions in view of the uncertainty about changes which may occur in the number of part-time physicians who would convert to full-time status. The maximum estimate of \$78,940,000 is based on the assumption that all part-time physicians who are employed on a half-time or more basis would elect to convert to full-time status and includes estimated increase in base salary costs of \$20,530,900. The minimum estimate of \$52,030,000 is based on the assumption that no part-time physicians would elect to convert to full-time status. The midpoint estimate would be approximately \$63,000,000, and is based on the assumption that 1/2 of the part-time physicians employed on a 1/2-time or more basis would elect to convert to full-time status, incurring an additional estimated base salary cost of \$10,300,000, and 1/2 of such physicians would not elect to convert to full-time status.

³ Since the cost of proposed sec. 4107(g) of title 38 would be subject to extreme variation and ultimately would depend upon the necessity for utilizing this authority, it would be impossible to arrive at an accurate cost. However, annual first-year cost for adjusting salary rates of licensed practical nurses, licensed vocational nurses, and nursing assistants, based on wage rates established for the minimum rate of WG-3 under the Federal Wage System is estimated to be \$34,490,000.

[No. 20]

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., July 16, 1975.

HON. VANCE HARTKE,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of May 20, 1975, for the views of this office on S. 1711, a bill "To amend title 38, United States Code, to provide special pay and other improvements designed to enhance the recruitment and retention of physicians, dentists, nursing personnel, and other health care personnel in the Department of Medicine and Surgery of the Veterans' Administration, and for other purposes."

In testimony before your committee on May 22, 1975, the Chief Medical Director of the Veterans' Administration expressed the views of the administration on the various provisions of S. 1711 and recommended that the committee give favorable consideration to the administration proposal, S. 1859, in lieu of S. 1711. The administration proposal, would provide VA physicians with a variable allowance comparable to the pay adjustment that is currently available to physicians in the uniformed services. It would limit the pay bonus to physicians only since, as the Chief Medical Director stated in his testimony, "a review of all available information does not suggest that our recruitment and retention of dentists and nurses are suffering to an equivalent degree on the basis of a disparity in reimbursement level." Moreover, the limitation is consistent with the specific limitation Congress approved for DOD and HEW last year in Public Law 93-274 which restricted incentive pay to physicians only.

We concur with the views expressed by the VA in its testimony and, accordingly, recommend that the committee give favorable consideration to the administration proposal, S. 1859, in lieu of S. 1711. Enactment of S. 1859 would be in accord with the program of the President.

Sincerely,

JAMES M. FREY,
Assistant Director for
Legislative Reference.

[No. 11]

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., May 22, 1975.

HON. VANCE HARTKE,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This will respond to your request for a report by the Veterans' Administration on S. 1507, 94th Congress, a bill "To amend title 38, United States Code, to establish the per annum full-pay scale for certain personnel of the Department of Medicine and Surgery of the Veterans' Administration; to make a career in the Department of Medicine and Surgery more attractive, and for other purposes."

The subject bill would amend 38 U.S.C. 4107(a) by including specific per annum salary rates of \$49,700 for the Chief Medical Director, \$47,200 for the Deputy Chief Medical Director, and \$44,700 for the Associate Deputy Chief Medical Director. The bill would also amend 5 U.S.C. 5314 and 5315 by removing the Chief Medical Director and the Deputy Chief Medical Director from levels III and IV, respectively, of the Executive Schedule.

The bill would further authorize the Administrator to pay, to any full-time physician, dentist, or nurse in the Department of Medicine and Surgery, an amount not to exceed 25 percent of the per annum salary rate of such individual, in addition to any other pay or allowance.

Finally, the bill would provide for leave with pay to be granted to any physician, dentist, or nurse in the Department of Medicine and Surgery who has completed seven years of full-time service, for not more than six months for study in his or her specialty. Thereafter, leave with pay may be granted for a three-month period for such purpose upon the completion of each additional five years of service.

The provisions of S. 1507 are similar in purpose to some of the recommendations made last year by a Department of Medicine and Surgery task force appointed by the Chief Medical Director to review recruitment and retention of VA health care personnel. Such a review was part of a Special Survey of Level of Quality of Patient Care at VA Hospitals and Clinics conducted by the VA at the request of the President. As the report indicated, a critical problem confronting the Department of Medicine and Surgery is the recruitment and retention of an adequate staff of well qualified personnel to provide high quality health care. The report states that a principle deterrent to successful recruitment and retention of these professionals rests in inadequate pay schedules which preclude competitive remuneration for their services.

As shown by a recent survey, in calendar year 1974, two-thirds of outside physicians given a firm offer of VA employment declined on the basis of inadequate salary. Many career full-time physicians are converting to part-time positions to augment their salaries. VA's physician salary levels are more attractive for foreign-trained physicians than for U.S. trained physicians.

On the other hand, VA survey data suggest that the level of physicians' salary by itself does not explain the continuing turnover of VA physicians and recruitment difficulties. In the same surveys cited above, a proportion of VA physician resignations in the past year have occurred because of other factors, e.g., family health, retirement, and other reasons. Similarly, reasons other than salary account for a substantial proportion (about one-third) of turndowns by outside physicians to VA recruiting offers. In sum, this data reflects a mixture of factors, of which pay is prominent, but so are local differences in professional opportunity, remote locations of hospital duty assignments, local family and personality factors, and the like.

Other large Federal medical manpower systems face similar problems of physician recruitment and retention. With these problems in mind, the Congress authorized an experimental "doctor bonus" program which is currently underway in the military and the Public Health Service Commissioned Corps. This authority expires on June 30, 1976. As you are aware, bonuses for those two groups of physicians were authorized last year in Public Law 93-274, and began to be paid in September. In view of the experimental nature of the doctor bonus program, Congress called for a thorough study of its costs, benefits, and impact on physician recruitment and retention. The Department of Defense and the Department of Health, Education, and Welfare are required to submit interim and final evaluation reports to the Congress by April 30, 1975, and April 30, 1976.

The currently imposed \$36,000 per annum limitation places salary restriction on about 40 percent of the physicians and dentists now employed full-time in the Department of Medicine and Surgery. Some have been affected by this restriction for as much as five years while, simultaneously, the cost of living has risen in excess of 33 per cent. The alarming number of those under salary restriction has eroded and will further erode the competitive position of the Department of Medicine and Surgery in recruitment efforts and, more importantly, in retention of these key professionals. On the other hand, it must be acknowledged that this is not a problem unique to the Department of Medicine and Surgery of the Veterans' Administration. The present limit on executive salaries has imposed problems of recruitment and retention throughout the Executive and Judicial branches of the government.

Thus, the magnitude of the problem facing the Department of Medicine and Surgery of the Veterans' Administration in trying to carry out its mission of providing quality care to our veterans becomes obvious. However, it must be acknowledged that the problem is less critical in relationship to the recruitment and retention of dentists and nurses. We would like to point out that the Administration has already moved to implement most of the recommendations of the VA Quality Survey. Despite the necessary limitations imposed on the

growth of most Federal programs this year, the President's 1976 Budget provides 6,200 new positions and an increase of \$240 million to implement the Study recommendations.

Acceptable solutions to the remaining problems cannot be considered solely in the context of the Veterans' Administration, but must be viewed in the context of the overall economic difficulties facing this Nation.

In his State of the Union Message last January 15, 1975, the President proposed a major tax reduction to stimulate economic recovery and recommended a series of actions to meet the Nation's energy problems. He pointed out that these proposals would result in a sizable budget deficit. Accordingly, he called for a curb on the rate of increase in domestic programs that has occurred in recent years.

In signing, on March 29, the tax reduction bill enacted by the Congress—which totalled \$23 billion rather than the \$16 billion he recommended—he pointed out that the budget deficit would reach \$60 billion in fiscal year 1976, as estimated on that date. He said:

I will resist every attempt by the Congress to add another dollar to this deficit by new spending programs. I will make no exception, except where our long-range national security interests are involved, as in the attainment of energy independence or for urgent humanitarian needs.

We continue to support the findings and recommendations of the Department of Medicine and Surgery Task Force in regard to the needed to improve the quality of medical care. We believe the 1976 budget represents great strides in this regard.

During this time when millions of workers have no job at all, and when we are still experiencing considerable inflationary pressure, we must demonstrate restraint in handling proposals for pay raises, or increases in benefit programs. However, in light of the urgent requirement assure the maintenance of high quality care, as a humanitarian need, for our deserving veterans, I will soon transmit to the President of the Senate a draft bill to provide VA physicians a variable allowance comparable to the pay adjustment that is currently available to physicians in the uniformed services. This legislative authority would be effective July 1, 1975, and terminates on June 30, 1976, which is identical to the concluding date for Public Law 93-274, the "Special Pay Structure Relating to Medical Officers of the Uniformed Services Act".

A review of all available information does not suggest that our recruitment and retention of dentists and nurses are suffering to an equivalent degree on the basis of a disparity in reimbursement level. I, therefore, propose that the variable allowances be limited to VA physicians. This would be consistent with the specific limitation Congress approved for the Department of Defense and the Department of Health, Education, and Welfare last year in Public Law 93-274, which restricted incentive pay to physicians only.

As noted earlier, the Administration has undertaken an evaluation of the effect of the variable incentive pay program on the recruitment and retention of physicians in the Department of Defense and the Department of Health, Education, and Welfare, with a view toward developing a more uniform and equitable approach to the

problem of Federal physician compensation. It is our intention to also participate in this effort, including our own evaluation of the recommended VA variable allowance. Based upon the results of this evaluation, the Administration will also review or develop any necessary and appropriate legislative proposals as part of its Fiscal Year 1977 legislative program.

Accordingly, I respectfully request that no action be taken on the proposals contained in S. 1507.

Instead, we recommend that the Committee consider favorably our draft proposal referred to above. In view of the budgetary and equity considerations already mentioned, we would be unable to recommend that the President approve any legislation which would extend the incentive pay provision to other than physicians, or which would provide for benefits beyond the scope of the incentive pay proposal discussed above.

Enactment of S. 1507 would result in the following estimated first five-year costs to the Veterans' Administration:

FISCAL YEAR COSTS					
[In thousands]					
	1976	1977	1978	1979	1980
New rates for sec. 4103 schedule.....	\$30	\$30	\$30	\$30	\$30
Additional pay for physicians, dentists, and nurses.....	41,000	41,000	41,000	41,000	41,000
Leave for pursuit of studies.....	5,000	5,000	5,000	5,000	5,000
Total.....	46,030	46,030	46,000	46,030	46,030

We were advised by the Office of Management and Budget in a report to the Chairman of the House Committee on Veterans' Affairs on an identical bill (H.R. 1545, 94th Congress), that enactment of that bill would not be in accord with the program of the President. However, enactment of the draft proposal referred to above, would be in accord with the program of the President.

Sincerely,

RICHARD L. ROUDEBUSH,
Administrator.

[No. 13]

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., May 29, 1975.

HON. NELSON A. ROCKEFELLER,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: There is transmitted herewith a draft bill, "To authorize the payment for a one-year period of a variable allowance to assist in the recruitment and retention of certain physicians in the Department of Medicine and Surgery of the Veterans' Administration, and for other purposes," with the request that it be introduced and considered for enactment.

The stated purpose of the draft bill is to assist the Department of Medicine and Surgery of the Veterans' Administration to attract and retain the services of highly qualified physicians. To accomplish that purpose, the Administrator would be authorized to pay, upon acceptance of a written agreement executed by an eligible physician employed by the Department of Medicine and Surgery, a variable allowance of up to \$13,500 per annum for the period specified in the agreement. Any sum paid under this authority would be in accordance with regulations prescribed by the Administrator and approved by the President, and would be paid in such installments as prescribed in those regulations. Any amount paid to a physician would be in addition to the currently authorized basic salary, and would not be considered basic pay for purposes of Civil Service Retirement or other benefits related to basic pay.

The authority granted by this provision provides for the VA physician a pay adjustment similar to that currently available to physicians in the uniformed services. Also, the draft bill, in limiting the variable allowance to VA physicians, would be consistent with the specific limitation approved for the Department of Defense and the Department of Health, Education, and Welfare last year in Public Law 93-274, which restricted such additional pay to physicians only.

The draft bill also provides for a report by the Administrator to the Committees on Veterans' Affairs of the Senate and House of Representatives regarding the operation of the special pay program. The report would be submitted not later than April 30, 1976. Moreover, it also provides that the variable allowance authorized by section 1 would become payable July 1, 1975, and would expire on June 30, 1976. The proposed ending date for this authority is identical to the concluding date for similar benefits provided under Public Law 93-274.

It would be our intent to implement the provisions of the bill, if enacted, by granting to each eligible physician in the Department of Medicine and Surgery a basic allowance, in addition to pay otherwise authorized. In addition to the basic allowance, there would be allowances which recognize such individual factors as length of service, appointment of full-time status, appointment to positions of greater professional responsibility, and practice in selected scarce specialties. Physicians employed on a part-time or intermittent basis would be eligible to receive, on a prorated basis, most elements of the variable allowance, if an agreement is executed and accepted.

The variable allowance will be applied on a selective basis to those with responsibilities requiring the qualifications of a physician, serving both in Department of Medicine and Surgery field medical facilities and in Central Office, including the Chief Medical Director and the Deputy Chief Medical Director. This provision would exclude physicians in the director grade (hospital, center, domiciliary, and clinic directors), and would not apply to consultants and attendings, and other fee basis physicians, interns, non-career residents, and certain other categories of physicians as determined not to be appropriate by the Administrator. The variable allowance would not be granted to physicians of marginal competence or productivity.

Last year, the Chief Medical Director appointed a task force to review recruitment and retention of VA health care personnel. Such review was part of a Special Survey of Level of Quality of Patient Care at VA Hospitals and Clinics conducted by the VA at the request of the President. As the report indicated, a critical problem confronting the Department of Medicine and Surgery is the recruitment and retention of an adequate staff of well qualified personnel to provide high quality health care.

The major deterrent to successful recruitment and retention of physicians, so vital to the performance of the mission of the Department of Medicine and Surgery, rests in inadequate pay schedules which preclude competitive remuneration for their services. Better pay is readily available through the private practice of medicine, in various categories of academic medicine, and in military medicine. Increasing numbers of career VA physicians are resigning to accept other positions.

The currently imposed \$36,000 per annum limitation places salary restriction on about 40 percent of the physicians now employed full-time in the Department of Medicine and Surgery. Some have been affected by this restriction for as long as five years, while, simultaneously, the cost of living has risen in excess of 33 percent. The alarming number of those under salary restriction has eroded, and will further erode, the competitive position of the Department of Medicine and Surgery in recruitment efforts and, more importantly, in retention of these key professionals.

Data regarding net income for physicians in the United States show that, in solo practice, the annual median income is about \$48,000; for group practice about \$66,000; strict full-time academic medicine (level comparable to VA Chief Grade 8 and above) \$48,000; academic geographic full-time \$56,000; and military medicine \$44,000, plus fringe benefits, bringing the total to about \$48,000. Comparing these

income figures with the current \$36,000 salary ceiling imposed on VA physicians is ample explanation for VA's difficulty in competing for their services.

The VA's non-competitive salary position is now resulting in a continuing loss of United States trained full-time physicians, and their replacement by part-time and foreign trained physicians. Over the past two years, the total number of full-time VA physicians has increased from 5,225 to 5,408, an increase of 183 (3.4 percent), while the number of foreign medical graduate, full-time physician appointments increased from 1,338 to 1,643, an increase of 305 (18.5 percent). This constitutes a decrease of 122 in the total number of U. S. graduate full-time physicians, while at the same time the total number of foreign medical graduate full-time physicians rose 305. Thirty-one percent of the total full-time physician force in the VA are foreign medical graduates, which constitutes an overall 5 percent increase in the past two years. Currently, about 33 percent of the Psychiatry, 47 percent of the Pathology, and 45 percent of the Physical Medicine Specialists in the VA are foreign medical graduates.

A recent survey shows that, for calendar year 1974, 1,209 bona fide offers of full-time employment resulted in 794 declinations (66 percent) owing to inadequate salary. The number of professional staff has increased by 34 percent (6,007 to 8,040) over the past five years. Concomitantly, the number of full-time physicians has increased only 7 percent (5,048 to 5,408), while the number of part-time physicians has increased 175 percent (959 to 2,632). Many career full-time physicians are reverting to part-time employment status which allows the option of outside employment. Many others, upon entry into the VA, will accept only part-time appointments so that they may earn additional income from other sources. Part-time employment often leads to management problems with split loyalties, and it also fosters conflicts for the physician where simultaneous demands for his services are made by VA needs and those of his private patients. Although part-time physicians fill a need in patient care, they cannot substitute fully for highly qualified full-time career physicians who constitute the backbone of VA medicine.

Therefore, in view of the foregoing, we request the enactment of the draft bill at the earliest possible date.

It is estimated that enactment of the draft bill would result in a cost for the one year of \$63 million.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this draft bill and that enactment of the draft bill would be in accord with the program of the President.

Sincerely,

RICHARD L. ROUDEBUSH,
Administrator.

Enclosure.

A BILL To authorize the payment for a one-year period of a variable allowance to assist in the recruitment and retention of certain physicians in the Department of Medicine and Surgery of the Veterans' Administration, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in order to attract and retain the services of highly qualified physicians in the Department of Medicine and Surgery of

the Veterans' Administration (hereinafter called the Department of Medicine and Surgery), and under regulations to be prescribed by the Administrator of Veterans' Affairs (hereinafter called the Administrator) and approved by the President, and notwithstanding section 5308 of title 5, section 4107 of title 38, or any other provision of law, the Administrator may, upon acceptance of a written agreement executed by an eligible physician employed by the Department of Medicine and Surgery, pay to such physician a variable allowance, not to exceed \$13,500 per annum for the period specified in such agreement. Any amount payable under such agreement may be paid in such installments as the Administrator by regulation shall prescribe.

SEC. 2. Any additional amount paid pursuant to the provisions of this Act shall not be considered as basic salary for the purposes of section 4107 of title 38, or of section 5305, chapter S1, 83, or 87 of title 5, or other benefits based on basic on basic salary.

SEC. 3. The Administrator shall submit a written report to the Committees on Veterans' Affairs of the Senate and House of Representatives regarding the operation of the special pay program authorized by this Act. The report shall be submitted not later than April 30, 1976.

SEC. 4. The provisions of this Act shall become effective on July 1, 1975, and shall expire on June 30, 1976.

ANALYSIS OF THE DRAFT BILL

The stated purpose of the draft bill is to assist the Department of Medicine and Surgery of the Veterans' Administration to attract and retain the services of highly qualified physicians. To accomplish that purpose, Section 1 of the bill authorizes the Administrator of Veterans' Affairs to pay, upon acceptance of a written agreement executed by an eligible physician employed by the DM&S, a variable allowance of up to \$13,500 per annum for the period specified in the agreement. Any sum paid under this authority would be in accordance with the regulations prescribed by the Administrator and approved by the President, and would be paid in such installments as prescribed in those regulations. Any amount paid to a physician would be in addition to the currently authorized basic salary, and would not be considered basic pay for purposes of Civil Service retirement or other benefits related to basic pay.

The new authority would provide for the VA physician similar pay to that currently available to physicians in the uniformed services. Also, in limiting the variable allowance to VA physicians, the draft bill would be consistent with the specific limitation approved for the Department of Defense and the Department of Health, Education, and Welfare last year in Public Law 93-274, which restricted such additional pay to physicians only.

It would be our intent to implement the provisions of the bill, if enacted, by granting to each eligible physician in the Department of Medicine and Surgery a basic allowance, in addition to pay otherwise authorized. In addition to the basic allowance, there would be allowances which recognize such individual factors as length of service, appointment on full-time status, appointment to positions of greater professional responsibility, and practice in selected scarce specialties. Physicians employed on a part-time or intermittent basis would be eligible to receive, on a prorated basis, most elements of the variable allowance, if an agreement is accepted.

Section 2 of the draft bill would provide that any additional pay received pursuant to this Act would not be considered as basic pay

for the purposes of Civil Service retirement or other benefits related to basic pay.

Section 3 of the bill would require the Administrator to submit a written report to the Committees on Veterans' Affairs of the Senate and House of Representatives regarding the operation of the special pay program not later than April 30, 1976. This requirement would also be consistent with similar provision of Public Law 93-274.

Section 4 of the draft bill provides that the variable allowance authorized by section 1 would become payable on July 1, 1975, and would expire on June 30, 1976. The proposed ending date for this authority is identical to the concluding date for the benefits payable under Public Law 93-274, referred to above.

CHANGES IN EXISTING LAW MADE BY S. 1711 AS REPORTED

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by S. 1711, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 5—UNITED STATES CODE

PART III—EMPLOYEES

Subpart D—Pay and Allowances

Chapter 53—PAY RATES AND SYSTEMS

Subchapter II—Executive Schedule Pay Rates

§ 5314. Positions at level III

Level III of the Executive Schedule applies to the following positions, for which the annual rate of basic pay is \$40,000:

(1) * * *

[(38) Chief Medical Director in the Department of Medicine and Surgery, Veterans' Administration.]

§ 5315. Positions at level IV

Level IV of the Executive Schedule applies to the following positions, for which the annual rate of basic pay is \$38,000:

(1) * * *

[(31) Deputy Chief Medical Director in the Department of Medicine and Surgery, Veterans' Administration.]

TITLE 38—UNITED STATES CODE

PART V—BOARDS AND DEPARTMENTS

Chapter 73—DEPARTMENT OF MEDICINE AND SURGERY

SUBCHAPTER I—ORGANIZATION; GENERAL

Sec.

- 4101. Functions of Department.
- 4102. Divisions of Department.
- 4103. Office of the Chief Medical Director.
- 4104. Additional appointments.
- 4105. Qualifications of appointees.
- 4106. Period of appointment; promotions.
- 4107. Grades and pay scales.
- 4108. Personnel administration.
- 4109. Retirement rights.
- 4110. Disciplinary boards.
- 4111. Appointment of additional employees.
- 4112. Special Medical Advisory Group and other advisory bodies.
- 4113. Travel expenses of employees.
- 4114. Temporary full-time, part-time, and without compensation appointments; residencies and internships.
- 4115. Regulations.
- 4116. Defense of certain malpractice and negligence suits.
- 4117. Contracts for scarce medical specialist services.
- 4118. *Special pay for physicians.*

Subchapter I—Organization; General

§ 4104. Additional appointments

There shall be appointed by the Administrator additional personnel as he may find necessary for the medical care of veterans, as follows:

(1) Physicians, dentists, [and] nurses, *physicians' assistants, and expanded-duty dental auxiliaries;*

(2) Pharmacists, physical therapists, occupational therapists, dietitians, and other scientific and professional personnel, such as optometrists, bacteriologists, chemists, biostatisticians, and medical and dental technologists.

§ 4105. Qualifications of appointees

(a) Any person to be eligible for appointment to the following positions in the Department of Medicine and Surgery must have the applicable qualifications:

(1) Physicians—

hold the degree of doctor of medicine or of doctor of osteopathy from a college or university approved by the Administrator, have completed an internship satisfactory to the Administrator, and be licensed to practice medicine, surgery, or osteopathy in a State;

(2) Dentist—

hold the degree of doctor of dental surgery or dental medicine from a college or university approved by the Administrator, and be licensed to practice dentistry in a State;

(3) Nurse—

have successfully completed a full course of nursing in a recognized school of nursing, approved by the Administrator, and be registered as a graduate nurse in a State;

(4) Director of a hospital, domiciliary, center or outpatient clinic—

have such business and administrative experience and qualifications as the Administrator shall prescribe;

(5) Optometrist—

be licensed to practice optometry in a State;

(6) Pharmacist—

hold the degree of bachelor of science in pharmacy, or its equivalent, from a school of pharmacy, approved by the Administrator, and be registered as a pharmacist in a State;

(7) Physical therapist, occupational therapist, dietitians, and other employees shall have such scientific or technical qualifications as the Administrator shall prescribe.

(8) *Physicians' assistants and expanded-duty dental auxiliaries shall have such medical or dental and technical qualifications and experience as the Administrator shall prescribe.*

(b) Except as provided in section 4114 of this title, no person may be appointed in the Department of Medicine and Surgery as a physician, dentist, [or nurse unless he] nurse, physicians' assistant, or expanded-duty dental auxiliary unless such person is a citizen of the United States.

§ 4106. Period of appointments; promotions

(a) Appointments of physicians, dentists, and nurses shall be made only after qualifications have been satisfactorily established in accordance with regulations prescribed by the Administrator, without regard to civil-service requirements.

(b) Such appointments as described in subsection (a) of this section shall be for a probationary period of three years and the record of each person serving under such appointment in the Medical, Dental, and Nursing Services shall be reviewed from time to time by a board, appointed in accordance with regulations of the Administrator, and if said board shall find him not fully qualified and satisfactory he shall be separated from the service.

(c) Promotions of physicians, dentists, and nurses shall be made only after examination given in accordance with regulations prescribed by the Administrator. Advancement within grade may be made in increments of the minimum pay of the grade in accordance with regulations prescribed by the Administrator.

(d) In determining eligibility for reinstatement in Federal civil service of persons appointed to positions in the Department of Medicine and Surgery, who at the time of appointment shall have a civil-service status, and whose employment in the Department of Medicine

and Surgery is terminated, the period of service performed in the Department of Medicine and Surgery shall be included in computing the period of service under applicable civil-service rules and regulations.

(e) In accordance with regulations prescribed by the Administrator, the grade level and salary of a physician, dentist, or nurse changed from a level of assignment where the grade level is based on both the nature of the assignment and personal qualifications, may be adjusted to the grade and salary otherwise appropriate.

(f) *The provisions of this section shall apply to physicians' assistants and expanded-duty dental auxiliaries.*

§ 4107. Grades and pay scales

(a) The per annum full-pay scale or ranges for positions provided in section 4103 of this title [, other than Chief Medical Director and Deputy Chief Medical Director,] shall be as follows:

SECTION 4103 SCHEDULE

[Associate Deputy Chief Medical Director, at the annual rate provided in section 5316 of title 5 of the United States Code for positions in level V of the Executive Schedule.]

Chief Medical Director, \$49,700.

Deputy Chief Medical Director, \$48,500.

Associate Deputy Chief Medical Director, \$47,300.

Assistant Chief Medical Director, \$46,336.

Medical Director, \$40,062 minimum to \$45,402 maximum.

Director of Nursing Service, \$40,062 minimum to \$45,402 maximum.

Director of Chaplain Service, \$34,607 minimum to \$43,839 maximum.

Director of Pharmacy Service, \$34,607 minimum to \$43,839 maximum.

Director of Dietetic Service, \$34,607 minimum to \$43,839 maximum.

Director of Optometry, \$34,607 minimum to \$43,839 maximum.

(b)(1) The grades and per annum full-pay ranges for positions provided in paragraph (1) of section 4104 of this title shall be as follows:

PHYSICIAN AND DENTIST SCHEDULE

Director grade, \$34,607 minimum to \$43,839 maximum.

Executive grade, \$32,129 minimum to \$41,768 maximum.

Chief grade, \$29,818 minimum to \$38,764 maximum.

Senior grade, \$25,581 minimum to \$33,258 maximum.

Intermediate grade, \$21,816 minimum to \$28,359 maximum.

Full grade, \$18,463 minimum to \$23,998 maximum.

Associate grade, \$15,481 minimum to \$20,125 maximum.

NURSE SCHEDULE

Director grade, \$29,818 minimum to \$38,764 maximum.

Assistant Director grade, \$25,581 minimum to \$33,258 maximum.

Chief grade, \$21,816 minimum to \$28,259 maximum.

Senior grade, \$18,463 minimum to \$23,998 maximum.

Intermediate grade, \$15,481 minimum to \$20,125 maximum.

Full grade, \$12,841 minimum to \$16,693 maximum.

Associate grade, \$11,070 minimum to \$14,391 maximum.

Junior grade, \$9,473 minimum to \$12,317 maximum.

(2) No person may hold the director grade in the "Physician and Dentist Schedule" unless he is serving as a director of a hospital, domiciliary, center, or outpatient clinic (independent). No person may hold the executive grade unless he holds the position of chief of staff at a hospital, center, or outpatient clinic (independent), or comparable position.

(c) Notwithstanding any other provision of law, the per annum salary rate of each individual serving as a director of a hospital, domiciliary, or center who is not a physician shall not be less than the salary rate which he would receive under this section if his service as a director of a hospital, domiciliary, or center had been service as a physician in the director grade. The position of the director of a hospital, domiciliary, or center shall not be subject to chapter 51 and subchapter III of chapter 53 of title 5.

[(d) The limitations in section 5308 of title 5 shall apply to pay under this section.]

(d) *Notwithstanding any other provision of law, and except as provided in section 4118 of this title, pay may not be paid at a rate in excess of the rate of basic pay for an appropriate level authorized by section 5314, 5315, or 5316 of title 5 for positions in the Executive Schedule, as follows:*

(1) *Level III for the Chief Medical Director;*

(2) *Level IV for the Deputy Chief Medical Director; and*

(3) *Level V for all other positions for which such pay is paid under this section.*

(e)(1) In addition to the basic compensation provided for nurses in subsection (b)(1) of this section, a nurse shall receive additional compensation as provided by paragraphs (2) through (8) of this subsection.

(2) A nurse performing service on a tour of duty, any part of which is within the period commencing at 6 postmeridian and ending at 6 antemeridian, shall receive additional compensation for each hour of service on such tour at a rate equal to 10 per centum of the employee's basic hourly rate, if at least four hours of such tour fall between 6 postmeridian and 6 antemeridian. When less than four hours of such tour fall between 6 postmeridian and 6 antemeridian, the nurse shall be paid the differential for each hour of work performed between those hours.

(3) A nurse performing service on a tour of duty, any part of which is within the period commencing at midnight Saturday and ending at midnight Sunday, shall receive additional compensation for each hour of service on such tour at a rate equal to 25 per centum of such nurse's basic hourly rate.

(4) A nurse performing service on a holiday designated by Federal statute or Executive order shall receive such nurse's regular rate of basic pay, plus additional pay at a rate equal to such regular rate of basic pay, for that holiday work, including overtime work. Any service required to be performed by a nurse on such a designated holiday shall be deemed to be a minimum of two hours in duration.

(5) A nurse performing officially ordered or approved hours of service in excess of forty hours in an administrative workweek, or in excess of eight hours in a day, shall receive overtime pay for each hour of such additional service; the overtime rates shall be one and one-half times such nurse's basic hourly rate, not to exceed one and one-half times the basic hourly rate for the minimum rate of Intermediate

grade of the Nurse Schedule. For the purposes of this paragraph, overtime must be of at least fifteen minutes duration in a day to be creditable for overtime pay. Compensatory time off in lieu of pay for service performed under the provisions of this paragraph shall not be permitted, *except as voluntarily requested in writing by the nurse in question.* Any excess service performed under this paragraph on a day when service was not scheduled for such nurse, or for which such nurse is required to return to her place of employment, shall be deemed to be a minimum of two hours in duration.

(6) For the purpose of computing the additional compensation provided by paragraph (2), (3), (4), or (5) of this subsection, a nurse's basic hourly rate shall be derived by dividing such nurse's annual rate of basic compensation by two thousand and eighty.

(7) When a nurse is entitled to two or more forms of additional pay under paragraph (2), (3), (4), or (5) for the same period of duty, the amounts of such additional pay shall be computed separately on the basis of such nurse's basic hourly rate of pay, except that no overtime pay as provided in paragraph (5) shall be payable for overtime service performed on a holiday designated by Federal statute or Executive order in addition to pay received under paragraph (4) for such service.

(8) A nurse who is officially scheduled to be on call outside such nurse's regular hours shall be compensated for each hour of such on-call duty, except for such time as such nurse may be called back to work, at a rate equal to 10 per centum of the hourly rate for excess service as provided in paragraph (5) of this subsection.

(9) Any additional compensation paid pursuant to this subsection shall not be considered as basic compensation for the purposes of subchapter VI and section 5595 of subchapter IX of chapter 55, chapter 81, 83, or 87 of title 5, or other benefits based on basic compensation.

(10) *The provisions of this subsection shall apply, in lieu of the provisions of sections 5542, 5543, 5545 (a), (b), and (c), and 5546 of title 5 with respect to any person employed in the Department of Medicine and Surgery, except for physicians and dentists, whose principal responsibilities, as determined by the Chief Medical Director pursuant to regulations which the Administrator shall prescribe, relate directly to patient care.*

(f) *Under standards which the Administrator shall prescribe in regulations, physicians' assistants and expanded-duty dental auxiliaries shall be compensated by use of Nurse Schedule grade titles and related pay ranges and shall be entitled to additional pay on the same basis as provided for nurses in paragraphs (2) through (8) of subsection (e) of this section.*

(g) *When he finds such action to be necessary in order to obtain or retain the services of health care personnel to provide hospital care and medical services for veterans, the Administrator, notwithstanding any other provision of law, shall increase the minimum or maximum rates of pay authorized under this chapter or title 5, on a nationwide basis, for one or more grades or for one or more medical, dental, or health care fields within the grades, to (1) provide pay commensurate with competitive pay practices in the same occupation or in order to achieve internal alignment of pay rates within the Department of Medicine and Surgery, or (2) meet staffing requirements at Veterans' Administration facilities. Any such increase in the minimum rate for any grade may not exceed the maximum rate*

prescribed pursuant to law for such grade. Any such increase in the maximum rate for any grade may not exceed in corresponding amount, the amount provided for in the statutory range for that grade, subject to the limitation on pay fixed by administrative action set forth in section 5363 of title 5.

§ 4108. Personnel administration

(a) Notwithstanding any law, Executive order, or regulation, the Administrator shall prescribe by regulation the hours and conditions of employment and leaves of absence of physicians, dentists, [and] nurses, *physicians' assistants*, and *expanded-duty dental auxiliaries* appointed to the Department of Medicine and Surgery, except that the hours of employment in carrying out responsibilities under this title of any physician, dentist (other than an intern or resident appointed pursuant to section 4114 of this title), [or] nurse, *physicians' assistant*, or *expanded-duty dental auxiliary* appointed on a full-time basis who accepts responsibilities for carrying out professional services for remuneration other than those assigned under this title, shall consist of not less than eighty hours in a biweekly pay period (as that term is used in section 5504 of title 5), and no such person may—

(1) assume responsibility for the medical care of any patient other than a patient admitted for treatment at a Veterans' Administration facility, except in those cases where the individual, upon request and with the approval of the Chief Medical Director, assumes such responsibilities to assist communities or medical practice groups to meet medical needs which would not otherwise be available for a period not to exceed one hundred and eighty calendar days, which may be extended by the Chief Medical Director for additional periods not to exceed one hundred and eighty calendar days each;

(2) teach or provide consultative services at any affiliated institution if such teaching or consultation will, because of its nature or duration, conflict with his responsibilities under this title;

(3) accept payment under any insurance or assistance program established under subchapter XVIII, or XIX of chapter 7 of title 42, or under chapter 55 of title 10 for professional services rendered by him while carrying out his responsibilities under this title;

(4) accept from any source, with respect to any travel performed by him in the course of carrying out his responsibilities under this title, any payment or per diem for such travel, other than as provided for in section 4111 of title 5;

(5) request or permit any individual or organization to pay, on his behalf, for insurance insuring him against malpractice claims arising in the course of carrying out his responsibilities under this title or for his dues or similar fees for membership in medical or dental societies or related professional associations except where such payments constitute a part of his remuneration for the performance of professional responsibilities permitted under this section, other than those carried out under this title; and

(6) perform, in the course of carrying out his responsibilities under this title, professional services for the purpose of generating money for any fund or account which is maintained by an affiliated institution for the benefit of such institution, or for his personal benefit, or both, and in the case of any such fund or account established before the effective date of this subsection—

(A) the affiliated institution shall submit semiannually an accounting to the Administrator and to the Comptroller General of the United States with respect to such fund or account, and thereafter shall maintain such fund or account subject to full public disclosure and audit by the Administrator and the Comptroller General for a period of three years or for such longer period as the Administrator shall prescribe, and

(B) no physician, dentist, [or] nurse, *physicians' assistant*, or *expanded-duty dental auxiliary* may receive, after the effective date of this subsection, any cash from amounts deposited in such fund or account derived from services performed prior to the effective date of this subsection.

(b) As used in this section, the term "affiliated institution" means any medical school or other institution of higher learning with which the Administrator has a contract or agreement pursuant to section 4112(b) of this title for the training or education of health manpower.

(c) As used in this section, the term "remuneration" means the receipt of any amount of monetary benefit from any non-Veterans' Administration source in payment for carrying out any professional responsibilities.

* * * * *

§ 4118. Special pay for physicians

(a)(1) *Notwithstanding the provisions of section 4107(d) or any other provision of law, in order to obtain and retain the services of highly qualified physicians in professional and administrative positions in the Department of Medicine and Surgery, the Administrator, pursuant to regulations which he shall prescribe, is authorized and directed to provide, in addition to any pay or allowance to which such physician is entitled, special pay, in the nature of a variable incentive annual bonus, of up to \$13,500 per annum, to any physician employed in the Department of Medicine and Surgery, except as provided in paragraph (2) of this subsection, upon acceptance, and for the duration, of a written agreement executed by such physician to complete a specified number of years of service in the Department.*

(2) *The Chief Medical Director, pursuant to such regulations, may determine categories of professional positions in the Department of Medicine and Surgery as to which there is no significant recruitment and retention problem in securing the services of highly qualified physicians. Physicians serving in such positions shall not be eligible for special pay under this section. The Chief Medical Director shall review annually each such determination.*

(b)(1) *The Administrator shall exercise the authority contained in this section to provide—*

(A) *the maximum amount of such special pay to the Chief Medical Director, Deputy Chief Medical Director, and Associate Deputy Chief Medical Director in the Department of Medicine and Surgery;*

(B) *base special pay of 45 per centum of such maximum amount to any eligible full-time physician appointed under this chapter; or*

(C) *the proportion of such 45 per centum which equals the proportion of full-time employment which the part-time employment of such physician constitutes, to any eligible part-time physician appointed under this chapter.*

(2) *The Administrator may, in accordance with such regulations, provide, in addition to the base special pay provided for in paragraph (1) of this subsection, additional special pay, not to exceed 55 per centum of the maximum amount of such special pay specified in subsection (a)(1), to physicians described in clauses (B) and (C) of paragraph (1) of this subsection in consideration of the scarcity of the medical specialty, the tenure, the education, and the responsibilities of the physician involved and the extent to which veterans in the geographical area in question are medically underserved, by the appropriate Veterans' Administration facility, but, in the case of a part-time physician, the amount of such additional special pay shall be reduced (A) in proportion to the proportion of full-time employment which the part-time employment of such physician constitutes, and (B) by an additional amount which equals 33½ per centum of the amount of base special pay to which a full-time physician would be entitled under paragraph (1)(B) of this subsection.*

(c)(1) *Any agreement entered into by a physician under this section shall be with respect to a period of one year of service in the Department of Medicine and Surgery unless the physician requests an agreement for a longer period of service not to exceed four years.*

(2) *Any such agreement shall (A) provide that the physician, in the event that such physician voluntarily, or because of misconduct, fails to complete at least one year of service pursuant to such agreement, shall be required to refund the total amount received under this section, unless the Chief Medical Director, pursuant to the regulations prescribed under this section, determines that such failure is necessitated by circumstances beyond the control of the physician, and (B) specify the terms under which the Veterans' Administration and the physician may elect to terminate such agreement.*

(3) *Any amount of special pay payable under this section shall be provided in such installments as the Administrator shall prescribe, pursuant to such regulations.*

(d) *Any additional compensation provided as special pay under this section shall not be considered as basic compensation for the purposes of subchapter VI and section 5595 of chapter 55, chapter 81, 83, or 87 of title 5, or other benefits related to basic compensation.*

* * * * *

MINORITY VIEWS OF SENATOR WILLIAM L. SCOTT

The salary compression problem is a troublesome one for the entire Federal Government.

S. 1711 is a piecemeal approach limited to physicians in the Department of Medicine and Surgery of the Veterans' Administration, but the current maximum limitations on Federal salaries is not a problem of singular concern to VA physicians.

In my opinion, a governmentwide approach is essential to a solution and is a matter under the jurisdiction of the Post Office and Civil Service Committee rather than the Committee on Veterans' Affairs.

The General Accounting Office, in a February 25, 1975, report to the Congress entitled Critical Need For a Better System For Adjusting Top Executive, Legislative and Judicial Salaries, underscored the urgency of the problem. In part, the GAO report stated as follows:

Top officials' salaries have remained stagnated since March 1969.

But the cost of living had increased approximately 44 percent by December 1974, considerably eroding the salaries' purchasing power. If this trend continues to 1977, the earliest possible adjustment, a level IV salary of \$38,000 will be worth about \$23,200 and the congressional and level II salary of \$42,500 will be worth \$25,900.

Meanwhile, non-Federal executive salaries had increased approximately 37 percent by June 1974. The projected increase for 1975 is 10 percent.

During these years other Federal white-collar salaries increased by about 50 percent.

The Congress has recognized the impact of inflation by raising allowances for certain office expenses for Members of the House of Representatives and by increasing the ceiling for professional staff in the Senate from \$36,000 to \$38,470.

A GS-18 would be earning \$10,300 more today if he had received comparability adjustments and the \$36,000 ceiling had not been in effect. From January 1971 through December, 1974, his cumulative salary loss has been about \$20,000 and inflation has cut the \$36,000 salary's purchasing power to about \$27,600. At current inflation rates, by 1977, the salary will be worth only \$24,200 compared to 1971.

Most incongruous of all is the fact that, without pay adjustments, employees with the same age and service can actually earn higher retirement annuities by retiring now than by continuing to work for the Government. Because retirement annuities are adjusted to the Consumer Price Index (CPI), a GS-18 who retired in December 1974 would get \$1,824 less in annuity than if he retired in December 1973, even though he worked another year and paid \$2,520 more into the retirement fund.

Any legislative remedy should consider the larger framework and implications of salary compression as it applies to the entire Federal personnel system. I am advised that more than 17,000 Federal employees are adversely affected by the salary ceiling and cannot receive any cost-of-living adjustments unless there is a general change in the present law. Salary compression transcends the VA as an agency and physicians as a profession. Recruitment and retention of executive agency management personnel, as well as the recent upturn in retirements from the judiciary, poses an equally burdensome problem.

In the effort to limit the special pay, or bonus, provisions of S. 1711 to physicians in the VA's Department of Medicine and Surgery, I fear that more inequities have been created than resolved.

For example, hospital directors in the VA system who happen to be physicians will be eligible for special pay, though they are charged not with direct patient care responsibilities, but duties relating to hospital administration. Hospital directors who are nonphysicians, though charged with the same administrative responsibilities as physician directors, are ineligible. Some senior research physicians, and physicians attached to the Department of Veterans Benefits, not the Department of Medicine and Surgery, are also excluded from eligibility for special pay. Dentists and other medical care personnel are excluded from the special pay provisions.

I have reservations about the effect these exclusions will have on morale for health care professionals who must work side by side with physicians in the effort to deliver quality medical care.

The provisions of S. 1711 which do apply to nonphysician personnel, namely section 4 of the bill, are not designed to provide the special bonus pay and are extraneous to the rationale on which the bill is premised—recruitment and retention of physicians in the VA. Section 4 provisions designed to change the personnel structure of VA non-physician personnel should be dealt with separately from the salary compression problem.

Finally, the cost of the bill, which is at best a piecemeal approach to a widespread problem in the entire Federal structure, is considerable. Estimates for the first fiscal year range in cost from \$52.03 million to \$78.94 million for the physician special pay provisions, dependent on the amount of authority provided in the bill which the Administrator would choose to utilize.

S. 1711 could well cost more than \$100 million in the first fiscal year if all authority contained in the bill is utilized by the Administrator. Certainly, the taxpayer is justified in expecting an expenditure which could vary from \$70 to \$100 million in the first fiscal year to provide a better solution than that proposed in the bill.

I, therefore, dissent from the Committee's report on S. 1711, and oppose its passage.

WILLIAM L. SCOTT.

APPENDIX

PUBLIC LAW 93-274

93RD CONGRESS, S. 2770

MAY 6, 1974

AN ACT To amend chapter 5 of title 37, United States Code, to revise the special pay structure relating to medical officers of the uniformed services

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 5 of title 37, United States Code, is amended as follows:

(1) Section 302 is amended to read as follows and the item in the chapter analysis is amended to correspond with the revised catchline:

“§ 302. Special pay: physicians

“An officer of the Army or Navy in the Medical Corps, an officer of the Air Force who is designated as a medical officer, or a medical officer of the Public Health Service, who is on active duty for a period of at least one year is entitled, in addition to any other pay or allowances to which he is entitled, to special pay at the following rates—

“(1) \$100 a month for each month of active duty if he has not completed two years of active duty in a category named in this section; or

“(2) \$350 a month for each month of active duty if he has completed at least two years of active duty in a category named in this section.

The amounts set forth in this section may not be included in computing the amount of an increase in pay authorized by any other provision of this title or in computing retired pay or severance pay.”

(2) The following new section is added after section 302a and a corresponding item is inserted in the chapter analysis:

“§ 302b. Special pay: dentists

“An officer of the Army or Navy in the Dental Corps, an officer of the Air Force who is designated as a dental officer, or a dental officer of the Public Health Service, who is on active duty for a period of at least one year is entitled, in addition to any other pay or allowances to which he is entitled, to special pay at the following rates—

“(1) \$100 a month for each month of active duty if he has not completed two years of active duty in the Dental Corps or as a dental officer;

“(2) \$150 a month for each month of active duty if he has completed at least two years of active duty in the Dental Corps or as a dental officer;

"(3) \$250 a month for each month of active duty if he has completed at least six years of active duty in the Dental Corps or as a dental officer; or

"(4) \$350 a month for each month of active duty if he has completed at least ten years of active duty in the Dental Corps or as a dental officer.

The amounts set forth in this section may not be included in computing the amount of an increase in pay authorized by any other provision of this title or in computing retired pay or severance pay."

(3) That portion of the first sentence of section 311(a) preceding clause (1) is amended to read as follows:

"(a) Under regulations to be prescribed by the Secretary of Defense or by the Secretary of Health, Education, and Welfare, as appropriate, an officer of the Army or Navy in the Medical Corps above the pay grade of O-6, an officer of the Air Force who is designated as a medical officer and is above the pay grade of O-6, a medical officer of the Public Health Service above the pay grade of O-6, an officer of the Army or Navy in the Dental Corps, an officer of the Air Force who is designated as a dental officer, or a dental officer of the Public Health Service who—"

(4) By adding the following new section after section 312a and by inserting a corresponding item in the chapter analysis:

"§ 313. Special pay: medical officers who execute active duty agreements

"(a) Under regulations prescribed by the Secretary of Defense or by the Secretary of Health, Education, and Welfare, as appropriate, and approved by the President, an officer of the Army or Navy in the Medical Corps, an officer of the Air Force who is designated as a medical officer, or a medical officer of the Public Health Service, who—

"(1) is below the pay grade of O-7;

"(2) is designated as being qualified in a critical specialty by the Secretary concerned;

"(3) is determined by a board composed of officers in the medical profession under criteria prescribed by the Secretary concerned to be qualified to enter into an active duty agreement for a specified number of years;

"(4) is not serving an initial active duty obligation of four years or less or is not serving the first four years of an initial active duty obligation of more than four years;

"(5) is not undergoing intern or initial residency training; and

"(6) executes a written active duty agreement under which he will receive incentive pay for completing a specified number of years of continuous active duty subsequent to executing such an agreement;

may, upon acceptance of the written agreement by the Secretary concerned, or his designee, and in addition to any other pay or allowances to which he is entitled, be paid an amount not to exceed \$13,500 for each year of the active duty agreement. Upon acceptance of the agreement by the Secretary concerned, or his designee, and subject to subsections (b) and (c) of this section, the total amount payable becomes fixed and may be paid in annual, semiannual, or monthly

installments, or in a lump sum after completion of the period of active duty specified in the agreement, as prescribed by the Secretary concerned.

"(b) Under regulations prescribed by the Secretary of Defense, the Secretary concerned, or his designee, may terminate, at any time, an officer's entitlement to the special pay authorized by this section. In that event, the officer is entitled to be paid only for the fractional part of the period of active duty that he served, and he may be required to refund any amount he received in excess of that entitlement.

"(c) Under regulations prescribed by the Secretary of Defense or by the Secretary of Health, Education, and Welfare, as appropriate, an officer who has received payment under this section and who voluntarily, or because of his misconduct, fails to complete the total number of years of active duty specified in the written agreement shall be required to refund the amount received that exceeds his entitlement under those regulations. If an officer has received less incentive pay than he is entitled to under those regulations at the time of his separation from active duty, he shall be entitled to receive the additional amount due him.

"(d) This section does not alter or modify any other service obligation of an officer. Completion of the agreed period of active duty, or other termination of an agreement, under this section does not entitle an officer to be separated from the service, if he has any other service obligation.

"(e) The Secretary of Defense and the Secretary of Health, Education, and Welfare shall each submit a written report each year to the Committees on Armed Services of the Senate and House of Representatives regarding the operation of the special pay program authorized by this section. The report shall be on a fiscal year basis and shall contain—

"(1) a review of the program for the fiscal year in which the report is submitted; and

"(2) the plan for the program for the succeeding fiscal year.

This report shall be submitted not later than April 30 of each year, beginning in 1975."

SEC. 2. The amendments made by this Act become effective on the first day of the first calendar month following the date of enactment. Except for the provisions of section 313 of title 37, United States Code, as added by section 1(4) of this Act, which will expire on June 30, 1976, the authority for the special pay provided by this Act shall, unless otherwise extended by Congress, expire on June 30, 1977.

Approved May 6, 1974.

LEGISLATIVE HISTORY

HOUSE REPORTS: No. 93-883 (COMM. ON ARMED SERVICES) AND No. 93-984 (COMM. OF CONFERENCE).

SENATE REPORT No. 93-658 (COMM. ON ARMED SERVICES).

CONGRESSIONAL RECORD:

Vol. 119 (1973): Dec. 20, considered and passed Senate.

Vol. 120 (1974):

Apr. 2, considered and passed House, amended.

Apr. 23, House and Senate agreed to conference report.

DEPARTMENT OF DEFENSE DIRECTIVE ON VARIABLE INCENTIVE PAY FOR
MEDICAL OFFICERS PURSUANT TO PUBLIC LAW 93-274

NUMBER 1340.11,
ASD(H&E),
September 12, 1974.

DEPARTMENT OF DEFENSE DIRECTIVE

Subject: Variable Incentive Pay for Medical Officers.

References:

- (a) Section 313 of title 37, U.S. Code
- (b) Section 205 of title 37, U.S. Code
- (c) DOD Directive 1340.8, "Continuation Pay for Medical and Dental Corps Officers," (under revision)
- (d) DOD Directive 5154.13, "Procedures for the Approval of Regulations Pertaining to Military Pay and Allowances," May 1, 1958
- (e) DOD Instruction 7110.1 "Guidance for Preparation of Budget Estimates, Operating Budgets, Financial Plans and Apportionment Requests, and Related Support Material," August 23, 1968

I. PURPOSE

This Directive establishes Department of Defense policies governing the payment of variable incentive pay to medical officers under reference (a).

II. DEFINITIONS

A. *Medical Officers*.—An officer on active duty in one of the following categories:

- An officer in the U.S. Army who is in the Medical Corps;
- An officer in the U.S. Navy who is in the Medical Corps;
- An officer in the U.S. Air Force who is designated as a medical officer.

B. *Critical Specialty*.—Categories of medical officers in which the supply of qualified personnel is, or is projected to be, inadequate to meet military service requirements as designed by the Secretary of the appropriate Military Department and approved by the Secretary of Defense.

C. *Initial Active Duty Obligation*.—The first obligation to serve on active duty for a specified period of time imposed on medical officers by a statute other than section 313 of title 37, U.S. Code (reference (a)), by contract or agreement, or by a regulation issued by the Secretary of Defense or the Secretary of a Military Department. Those officers who entered on active duty, other than under a special procurement program, on or after July 2, 1973, will not be considered as having an initial active duty obligation, and shall not incur such an obligation solely as the result of the commissioning process.

D. *Long-Term Medical Training Obligation*.—An obligation incurred by an individual as a result of participating in military funded medical training of one school year or more. This medical training will include both that received in preparation for commissioning as a medical officer, as well as that received subsequent to commissioning as a medical officer.

E. *Initial Residency*.—An initial residency shall be construed to be that period of time in residency training prior to formal completion of the officer's first residency.

III. POLICIES AND RESPONSIBILITIES

A. Variable incentive pay shall be used as a responsible management tool with respect to officers qualified in critical specialties by:

1. Paying a bonus to medical officers based on current shortages, and projected shortages.
2. Fostering utilization policies so that medical officers will be assigned in accordance with their critical skills, career patterns, and the contingencies and requirements of the individual Military Departments.

B. To be eligible for variable incentive pay, a medical officer must:

1. Be in pay grade O-3, O-4, O-5, or O-6; and
2. Not be serving as an intern or in initial residency program while on active duty; and
3. Have no disqualifying active duty obligation.

C. A disqualifying active duty obligation is an obligation to enter or remain on active duty incurred as a result of:

1. An initial active duty obligation of 4 years or less, or the first 4 years of an initial active duty obligation of more than 4 years.
2. An agreement entered into by an officer in a Reserve component to enter active duty after completion of a period of professional education and training (e.g., Berry Plan, Reserve Officers Training Corps Program, Senior Medical Student Program, Armed Forces Health Professions Scholarship Program).
3. Participation in an educational program in which the officer was on active duty during the period of the time he attended the professional school that qualified him as a medical officer. Disqualification for this training will not exceed the first 4 years of an initial active duty obligation.
4. An agreement entered into under the continuation pay program for medical officers. Officers receiving continuation pay who otherwise are eligible to receive variable incentive pay may repay the prorated unearned amount of continuation pay and thereby be eligible immediately to receive variable incentive pay.

D. Except for those programs in which participation in intern or residency training is specifically prohibited by statute or regulation from being creditable toward satisfying an initial active duty obligation, a period of time spent in intern or initial residency training while on active duty may be creditable in satisfying an initial active duty obligation.

E. Officers who are eligible for variable incentive pay will be placed in one of the following categories in accordance with subsection I., below:

1. An officer qualified in a designated critical specialty whose professional qualifications or demonstrated performance, in relation to his Military Department's need for such officers, indicates that a premium should be placed on his procurement or retention in the active service.

2. An officer qualified in a designated critical specialty whose professional qualifications or demonstrated performance indicates that no premium should be placed on his procurement or continued active service.

F. Officers qualified in a designated critical specialty who are placed in category 1., above, may be offered an active duty agreement of 1, 2, 3, or 4 years, as indicated in the table in H., below, except that an officer may not be offered an agreement for a number of years greater than that remaining to a mandatory retirement. Officers in II. D. with existing service obligations as a result of extended medical training funded by the military will receive reduced amounts as indicated for obligated officers in the table in H., below. An officer who is placed in category 2., above may not be offered any active duty agreement under the variable incentive pay program.

G. If an officer who enters an active duty agreement subsequently enters intern or initial residency training, or enters a civilian education program in excess of 100 days other than subspecialty or medical fellowship training, he must voluntarily terminate his active duty agreement under this Directive prior to entry into such program. Recoupment in such instances will be on a pro rata basis.

H. Except officers with service obligations in F. above, entitlements shall be determined by the years of service computed in accordance with section 205, title 37, U.S. Code (reference (b)) and the length of the active duty agreement. The annual amount of variable incentive pay to which a medical officer is entitled under the provisions of this Directive is shown in the following table:

MEDICAL OFFICERS VARIABLE INCENTIVE PAY ENTITLEMENT				
(In dollars per year)				
Years of service computed under sec. 205, title 37, U.S. Code	Length of active duty agreement (years)			
	1	2	3	4
4 through 13	12,000	12,500	13,000	13,500
14 through 19	11,500	12,000	12,500	13,000
20 through 25	11,000	11,300	11,600	12,000
26 or more	10,000	10,300	10,600	11,000
Obligated officers	9,000	9,000	9,000	9,000

I. The Secretaries of the Military Departments, or their designees, shall select the medical officers under their jurisdiction subject to limitations in E. and H., above, who will be entitled to variable incentive pay from officers qualified in a designated critical specialty who:

1. Are determined by a board of medical officers to be qualified to enter into active duty agreement for a specified number of years; and

2. Execute a written active duty agreement containing the terms of entitlement to variable incentive pay.

J. Upon acceptance of a written agreement by the Secretary of the appropriate Military Department, or his designee, and subject to K. and L., below, the total amount payable under the agreement becomes fixed and may be paid immediately upon signing the agreement in equal annual, semiannual, or monthly installments; or in a lump sum after completion of the period of the active duty specified in the agreement, at the option of the officer concerned.

K. The Secretary of the Military Department, or his designee, may terminate a medical officer's entitlement to variable incentive pay, at any time, upon a determination by a board composed of medical officers, that the officer's performance has deteriorated to a level at which no premium should be placed on his continued service. In the event of such termination of entitlement, the officer shall be entitled to be paid only for the proportionate part of the period of active duty that he served under the agreement, and he shall refund any amount he received in excess of that entitlement.

L. A medical officer who has received payment under this section and who voluntarily, or because of his misconduct, fails to complete the total number of years of active duty specified in the written agreement shall be required to refund the amount received that exceeds his entitlement, as prescribed below, except as provided in G., above. However, such termination of his agreement will not entitle him to be separated from the service; and any such separation shall be governed by other appropriate regulations and policies. If an officer has received less incentive pay than he is entitled to under this directive at the time of his separation from active duty, he shall be entitled to receive the additional amount due him.

PERCENT OF TOTAL AGREEMENT SUM TO WHICH AN OFFICER WHO VOLUNTARILY TERMINATES HIS AGREEMENT IS ENTITLED

Length of agreement	Number of years completed under agreement				
	Less than 1	1	2	3	4
4 yr	0	15	40	70	100
3 yr	0	22	60	100	
2 yr	0	35	100		
1 yr	0	100			

M. If a medical officer dies or is retired for disability while serving an active duty agreement, his entitlement shall be the proportionate part of the period of active duty that he served under the agreement. Any amount he received in excess of that entitlement shall be recouped by the Government unless the Secretary of Defense, or his designee, determines that recoupment of the excess would not be in the best interest of the Government.

N. A medical officer may be transferred from one critical skill to another and eligibility reconfirmed by the Selection Board with the approval of the Secretary of the Military Department concerned, or his designee.

O. The Secretaries of the Military Departments shall:

1. Include the costs of the program in budget estimates for military personnel appropriations under the provisions of DOD Instruction 7110.1 (reference (e)).

2. Submit proposed implementing instructions for review by the military Pay and Allowances Committee in accordance with DOD Instruction 7110.1 (reference (e)).

3. Submit statistical data and analyses as requested by the Assistant Secretary of Defense (Health and Environment) for preparation of the annual report to the Congress on this program. This information requirement is assigned RCS DD-H&E(A) 1353.

4. Recommend changes in the variable incentive pay program to the Secretary of Defense through the Assistant Secretary of Defense (Health and Environment).

P. The Assistant Secretary of Defense (Health and Environment) shall:

1. Monitor and evaluate Military Department programs to ensure effective use of program funds, making recommendations to the Military Departments and, when necessary, to the Secretary of Defense in respect to individual programs.

2. Prepare the annual reports pertaining to this program as required by the Congress.

3. Issue DOD Instructions, as required, to carry out the purpose of this Directive.

IV. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective September 5, 1974. Six copies of implementing instructions shall be forwarded to the Assistant Secretary of Defense (Health and Environment) within 60 days.

W. P. CLEMENTS, Jr.,
Deputy Secretary of Defense.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE REGULATIONS ON VARIABLE INCENTIVE PAY FOR COMMISSIONED CORPS MEDICAL OFFICERS PURSUANT TO PUBLIC LAW 93-274

PUBLIC HEALTH SERVICE REGULATIONS

Variable Incentive Pay for Commissioned Corps Medical Officers

A. PURPOSE AND SCOPE

Prescribes the regulations governing the payment of variable incentive pay (VIP) to medical officers in the commissioned corps of the Public Health Service (PHS).

B. LEGAL BASIS

Section 313 of title 37, U.S. Code, authorizes the Secretary of Health, Education, and Welfare (HEW), to prescribe regulations governing payment of variable incentive pay (VIP) to medical officers in critical specialty categories.

C. DEFINITIONS

1. As used in these regulations, the following definitions apply:
 - a. *Medical officer*.—An officer on active duty in the Commissioned Corps of the Public Health Service, in the medical category only.
 - b. *Critical specialty category*.—A category of medical officers in which the supply of qualified physicians has been, and is projected to be, inadequate to meet the needs of the service. Such a category may include medical officers in clinical practice as well as in operational and other nonclinical services, when the officer's medical expertise is necessary in executing the duties of the assignment.
 - c. *Initial active duty obligation*.—The first obligation to serve on active duty for a specified period of time imposed on medical officers by a law or imposed by a regulation issued by the Secretary of HEW. An obligation incurred as a result of the commissioning process shall not be construed as an initial active duty obligation. Unless the authority contained in section 17(c) of the Selective Service Act (50 U.S.C. App. 467(c)) to induct physicians who have been deferred under section 6 of that act (50 U.S.C. app. 456) is invoked by the President, persons subject to its provisions do not incur an initial active duty obligation as this term is used in this directive.
 - d. *Initial residency*.—The period of required formalized training within a specialty, after completion of medical school and/or internship, which renders the medical officer eligible for his first board certification as determined by the Council on Medical Education of the American Medical Association.

e. *Disqualifying active duty obligation.*—An obligation to enter or remain on active duty incurred as a result of:

(1) An initial active duty obligation of 4 years or less, or the first 4 years of an initial duty obligation of more than 4 years. (a) Unfulfilled active duty service obligation resulting from participation in a senior medical student program. (b) Participation in an education program in which the officer attended the professional school that qualified him as a medical officer while he was an officer on active duty. (c) Unfulfilled active duty service obligation resulting from participation in the Public Health Service and National Health Service Corps Scholarship Program or other subsidized procurement programs. (d) An agreement entered into by an individual to serve after a period of deferment. (CORD, Berry plan.)

(2) Period of time while a medical officer is participating in an intern or initial residency training program while on active duty.

(3) An agreement entered into under the continuation pay program (37 U.S.C. 311) for medical officers. Medical officers receiving continuation pay who otherwise are eligible to receive variable incentive pay may repay the prorated unearned amount of continuation pay and thereby be eligible to receive variable incentive pay upon the execution of a new agreement for a service period that extends beyond that required by the continuation pay contract

D. POLICIES AND RESPONSIBILITIES

1. Variable incentive pay shall be used as a responsible management tool with which to alleviate shortages in critical skills by:

a. Paying a bonus to medical officers based on current shortages, and projected shortages.

b. Fostering utilization policies so that medical officers will be assigned in accordance with their critical skills, career patterns, and the contingencies and requirements of PHS.

2. To be eligible for variable incentive pay, a medical officer must:

a. Be in pay grade O-6 or below.

b. Have no disqualifying active duty obligation.

c. Be designated as performing in a critical specialty category.

d. Be performing duties requiring medical expertise.

3. Officers who meet the standards of eligibility above will be placed in one of the following categories:

a. An officer whose professional qualifications, demonstrated performance, and PHS's need for officers indicate that a premium should be placed on his procurement or retention in the active service.

b. An officer whose professional qualifications, demonstrated performance, or PHS's need for officers in his specialty indicate that no premium should be placed on his procurement or continued active service.

4. An officer will not be entitled to variable incentive pay while undergoing:

a. Initial residency training.

b. Training in a non-Federal facility for a continuous period of more than 100 days.

The restriction in (b) above does not apply to officers undergoing subspecialty or medical fellowship training.

An officer serving under a variable incentive pay agreement who is assigned to training, as specified in (a) or (b) above, will have his agreement terminated as of the effective date of commencement of the training and must repay variable incentive pay on a prorated basis.

5. The Assistant Secretary for Health, or his designee, shall determine the length of the active duty agreement for officers who meet the standards of eligibility and are placed in category (3a) above.

Such an active duty agreement may be one (1), two (2), three (3), or four (4) years.

6. a. The annual amount of variable incentive pay to which a medical officer is entitled shall be determined by his pay grade computed according to the following schedule except as provided in (b) below:

PUBLIC HEALTH SERVICE, COMMISSIONED CORPS MEDICAL OFFICER VIP ENTITLEMENT

Grade	Duration of contract			
	1 year	2 years	3 years	4 years
O3	\$12,000	\$12,500	\$13,000	\$13,500
O4	12,000	12,500	13,000	13,500
O5	11,500	12,000	12,500	13,000
O6 (with less than 22 yr of service for basic pay)	11,000	11,300	11,600	12,000
O6 (with less than 26 yr of service for basic pay)	10,000	10,800	11,200	11,500
O6 (with 26 yr of service for basic pay)	10,000	10,300	10,600	11,000

b. A medical officer who has incurred a period of obligated service as a result of training, who is otherwise eligible and who executes a written agreement to serve for 1 year, is entitled to a payment of \$9,000.

7. The Assistant Secretary for Health, or his designee, shall:

a. Select the medical officers under his jurisdiction subject to limitations in paragraphs 2, 3, and 6 above, as appropriate, who will be entitled to Variable Incentive Pay from officers who:

(1) Are determined by a board, composed of officers in their profession, to be qualified to enter into active duty agreement for a specified number of years; and

(2) execute a written active duty agreement containing the terms of entitlement to Variable Incentive Pay.

b. On an annual basis, re-certify that all medical officers receiving Variable Incentive Pay continue to meet the eligibility in paragraphs 2 and 3 above.

8. Upon acceptance of a written agreement by the Assistant Secretary for Health, or his designee, the total amount payable under the agreement becomes fixed for the duration of the contract.

9. The amount payable under the agreement may be paid immediately upon signing the agreement in equal annual, semiannual, or monthly installments; or may be paid in a lump sum after completion of the period of the active duty specified in the agreement.

10. The Assistant Secretary for Health, or his designee, may terminate a medical officer's entitlement to variable incentive pay at any time under the following conditions:

a. Upon a recommendation by a board composed of officers of his profession, that the officer's performance has deteriorated to a level at which no premium should be placed on his continued service.

b. Upon determination that the officer's assignment does not require medical knowledge or expertise.

c. The officer is placed on LWOP.

In the event of such termination of entitlement, the officer shall be entitled to be paid only for the proportionate part of the period of active duty that he served under the agreement, and he shall refund on a prorated basis any amount he received in excess of that entitlement.

11. A medical officer:

a. May, at any time, voluntarily terminate his active duty agreement provided that he refunds any variable incentive pay that he received in excess of the amount to which he is entitled under 12 below.

b. Found to be guilty of misconduct, in accordance with disciplinary regulation of the commissioned corps, may have his contract terminated. He must refund any variable incentive pay that he received in excess of the amount to which he is entitled under 12 below.

12. If a variable incentive pay agreement is terminated as provided under 11 (a) or (b) above, his entitlement shall be as prescribed in the following table:

(Percent)

Length of agreement	Number of years completed under agreement—				
	Less than 1	1	2	3	4
4 years.....	0	15	40	70	100
3 years.....	0	22	60	100	.....
2 years.....	0	35	100	.....	.....
1 year.....	0	100	.....	.....	.....

13. If a medical officer dies or is retired for disability while serving an active duty agreement, he or his estate will be entitled to the variable incentive pay entitlement for the contract year being served but any contract containing additional entitlement will be terminated.

14. The Assistant Secretary for Health shall:

a. Issue implementing instructions for administering the variable incentive pay program.

b. Prepare an annual report for the Secretary of HEW to be submitted to Congress on this program. As a minimum, the following data by pay grade shall be maintained by fiscal year: Number eligible for variable incentive pay; number approved; number accepted; average amount paid; and total.

c. Recommend regulatory changes in the variable incentive pay program to the Secretary of HEW.

E. SPECIAL PROVISIONS

1. As an exception to section D, 11(a) and 12, a medical officer who entered into an active duty agreement under the interim regulations for variable incentive pay and is determined to be eligible for entitlement under variable incentive pay under these regulations, may execute a new agreement under these regulations for a minimum period of 1 year which will supersede the previous agreement. In this situation, the initial payment of variable incentive pay under these regulations will be reduced by an amount equal to the unearned portion of variable incentive pay previously received under the interim regulations.

2. As an exception to section D, 11(a) and 12, a medical officer who enters into a 1 or 2 year active duty agreement under these regulations on or before December 31, 1974, may, with the approval of the Assistant Secretary for Health, or his designee, terminate that agreement on June 30, 1975. In this situation, the officer shall be entitled to be paid only for the proportionate part of the period of active duty that he served under the agreement and he shall refund on a prorated basis any amount he received in excess of that entitlement.

3. As an exception to section D, 11(a) and 12, a medical officer who enters into an agreement while serving a period of obligation as described in section D6(b), may terminate his contract at the completion of his obligation and renegotiate a contract under the schedule in section D6(a).

These regulations are to be effective as of September 9, 1974.

CASPAR W. WEINBERGER,
Secretary.

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,
one thousand nine hundred and seventy-five*

An Act

To amend title 38, United States Code, to provide special pay and incentive pay for certain physicians and dentists employed by the Department of Medicine and Surgery of the Veterans' Administration in order to enhance the recruitment and retention of such personnel, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans' Administration Physician and Dentist Pay Comparability Act of 1975".

SEC. 2. (a) The Congress hereby finds and declares (1) that the ceiling on the salary of physicians employed in the Department of Medicine and Surgery due to the Federal salary limitation under the Executive Schedule rates of pay in title 5, United States Code, accompanied by the sharp escalation in the cost of living since those rates of pay were last increased in 1969, has seriously impaired the recruitment and retention of qualified physicians by the Department of Medicine and Surgery in the Veterans' Administration; and (2) that the compensation provided to physicians and dentists in the Department of Medicine and Surgery has been rendered noncompetitive by virtue of the payment of special pay of up to \$13,500 per annum, in addition to basic compensation and other benefits, to certain medical officers, and monthly special and continuation pay cumulating approximately half such amount to certain dental officers, of the uniformed services, pursuant to title 37 of the United States Code and Public Law 93-274. The Congress further finds and declares that these recruitment and retention difficulties have created an inequitable and demoralizing situation in the Department of Medicine and Surgery that threatens to erode seriously the ability of the Department to compete for the services of necessary health care professionals and thereby to continue to provide quality health care to eligible veterans.

(b) Section 4107 of title 38, United States Code, is amended by—

(1) striking out the comma and "other than Chief Medical Director and Deputy Chief Medical Director," after "title" in the first sentence of subsection (a);

(2) striking out in subsection (a) the following:

"Associate Deputy Chief Medical Director, at the annual rate provided in section 5316 of title 5 of the United States Code for positions in level V of the Executive Schedule.

"Assistant Chief Medical Director, \$41,734.

"Medical Director, \$36,103 minimum to \$40,915 maximum."

and inserting in lieu thereof the following:

"Chief Medical Director, \$54,000.

"Deputy Chief Medical Director, \$52,000.

"Associate Deputy Chief Medical Director, \$50,000.

"Assistant Chief Medical Director, \$48,654.

"Medical Director, \$42,066 minimum to \$47,674 maximum.";

(3) amending the Physician and Dentist Schedule in section (b) (1) to read as follows:

“PHYSICIAN AND DENTIST SCHEDULE

“Director grade, \$36,338 minimum to \$46,026 maximum.

“Executive grade, \$33,736 minimum to \$43,861 maximum.

“Chief grade, \$31,309 minimum to \$40,705 maximum.

“Senior grade, \$26,861 minimum to \$34,916 maximum.

“Intermediate grade, \$22,906 minimum to \$29,782 maximum.

“Full grade, \$19,386 minimum to \$25,200 maximum.

“Associate grade, \$16,255 minimum to \$21,133 maximum.”; and

(4) amending subsection (d) to read as follows:

“(d) Notwithstanding any other provision of law, and except as provided in section 4118 of this title, pay may not be paid at a rate in excess of the rate of basic pay for an appropriate level authorized by section 5314, 5315, or 5316 of title 5 for positions in the Executive Schedule, as follows:

“(1) Level III for the Chief Medical Director;

“(2) Level IV for the Deputy Chief Medical Director; and

“(3) Level V for all other positions for which such basic pay is paid under this section.”.

(c) Title 5, United States Code, is amended by—

(1) striking out in section 5314 the following:

“(38) Chief Medical Director in the Department of Medicine and Surgery, Veterans’ Administration.”; and

(2) striking out in section 5315 the following:

“(31) Deputy Chief Medical Director in the Department of Medicine and Surgery, Veterans’ Administration.”.

(d) (1) Subchapter I of chapter 73 of title 38, United States Code, is amended by adding at the end thereof the following new section:

“§ 4118. Special pay for physicians and dentists

“(a) (1) Notwithstanding the provisions of section 4107(d) or any other provision of law, in order to recruit and retain highly qualified physicians and dentists in the Department of Medicine and Surgery, the Administrator, pursuant to the provisions of this section and regulations which he shall prescribe hereunder, shall provide, in addition to any pay or allowance to which such physician or dentist is entitled, special pay in an amount not more than (A) \$13,500 per annum to any physician employed in the Department of Medicine and Surgery, or (B) \$6,750 per annum to any dentist so employed, except as provided in paragraphs (2) and (3) of this subsection, upon the execution, and for the duration of, a written agreement by such physician or dentist to complete a specified number of years of service in the Department.

“(2) Special pay may not be paid under this section to any physician or dentist who—

“(A) is employed on less than a half-time or intermittent basis,

“(B) occupies an internship or residency training position, or

“(C) is a reemployed annuitant.

“(3) The Chief Medical Director, pursuant to such regulations, may determine categories of positions applicable to both physicians and dentists in the Department of Medicine and Surgery as to which there is no significant recruitment and retention problem. Physicians and dentists serving in such positions shall not be eligible for special pay under this section.

“(b) The Administrator shall exercise the authority contained in this section to provide—

“(1) the maximum amount of such special pay to the Chief Medical Director and Deputy Chief Medical Director;

“(2) primary special pay of \$5,000 to any eligible full-time physician, or \$2,500 to any eligible full-time dentist, appointed under this chapter; and

“(3) a proportional amount of primary special pay of \$5,000 to any eligible part-time physician, or of \$2,500 to any eligible part-time dentist, appointed under this chapter, which proportional amount shall be calculated on the basis of the proportion which the part-time employment in the Department of Medicine and Surgery of such physician or dentist bears to full-time employment.

“(c) The Administrator shall, in accordance with such regulations, provide, in addition to the primary special pay provided for in subsection (b) of this section, incentive special pay of no more than \$8,500 to any eligible physician, or \$4,250 to any eligible dentist, described in clauses (2) and (3) of subsection (b) of this section. In prescribing regulations to carry out this subsection, the Administrator shall take into account only the following factors and may pay no more than the following per annum amounts of incentive special pay to any full-time physician eligible therefor, one-half the following per annum amounts to any full-time dentist eligible therefor (except that the full amount as specified in clause (1) (A) (iii) may be paid), or a proportional amount of the following per annum amounts to any part-time physician or dentist to the extent eligible therefor which proportional amount shall be calculated on the basis of the proportion which the part-time employment in the Department of Medicine and Surgery of such physician or dentist bears to full-time employment:

“(1) (A) (i) full-time status, \$2,000, and

“(ii) tenure of service within the Department of Medicine and Surgery as follows:

“(aa) completion of probationary period or three years, whichever is the lesser, \$1,000, or

“(bb) completion of seven years, \$2,000; and

“(iii) scarcity of medical or dental specialty \$2,000; or

“(B) professional responsibility as follows:

“(i) Service Chief not in a scarce medical or dental specialty or Associate Chief of Staff, \$5,500,

“(ii) Service Chief in a scarce medical or dental specialty, \$7,000,

“(iii) Chief of Staff or Executive Grade, \$7,000,

“(iv) Director Grade or Deputy Service Director, \$7,250,

“(v) Service Director, \$7,500,

“(vi) Deputy Assistant Chief Medical Director, \$8,000, or

“(vii) Associate Deputy Chief Medical Director or Assistant Chief Medical Director, \$8,500; and

“(2) continuing education certification, \$500.

“(d) (1) The annual rate of special pay provided pursuant to this section shall be reduced by an amount calculated as of the effective date of an agreement entered into under this section, as follows: the difference between the annual rate of basic pay for the grade and step

of a physician or dentist in effect and payable on the day before the effective date of this section and the annual rate of basic pay in effect and payable on such effective date for such grade and step.

“(2) No part-time physician may be paid an aggregate amount of basic pay, pursuant to the rates applicable on the effective date of this section to physicians employed under this title, and special pay under this section in excess of \$42,000 per annum, and no part-time dentist may be paid an aggregate amount of basic pay, pursuant to the rates applicable on the effective date of this section to dentists employed under this title, and special pay under this section in excess of \$37,000 per annum.

“(e) (1) Any agreement entered into by a physician or dentist under this section shall be with respect to a period of one year of service in the Department of Medicine and Surgery unless the physician or dentist requests an agreement for a longer period of service not to exceed four years.

“(2) (A) Any such agreement shall provide that the physician or dentist, in the event that such physician or dentist voluntarily, or because of misconduct, fails to complete at least one year of service pursuant to such agreement, shall be required to refund the total amount received under this section, unless the Chief Medical Director, pursuant to the regulations prescribed under this section, determines that such failure is necessitated by circumstances beyond the control of the physician or dentist.

“(B) Any such agreement shall specify the terms under which the Veterans' Administration and the physician or dentist may elect to terminate such agreement.

“(3) Any amount of special pay payable under this section shall be paid in biweekly installments.

“(4) (A) Any physician or dentist who is employed in the Department of Medicine and Surgery on or before the effective date of this section and who enters into an agreement under this section during the forty-five-day period beginning on the date of the enactment of the Veterans' Administration Physician and Dentist Pay Comparability Act of 1975 is entitled to special pay beginning on the effective date of this section.

“(B) Any physician or dentist who becomes employed in the Department of Medicine and Surgery after the effective date of this section and who enters into an agreement under this section before the close of the forty-five-day period beginning on the date of the enactment of the Veterans' Administration Physician and Dentist Pay Comparability Act of 1975 is entitled to special pay beginning on the date on which the physician or dentist becomes employed.

“(C) Any physician or dentist who becomes employed in the Department of Medicine and Surgery after the close of the forty-five-day period beginning on the date of the enactment of the Veterans' Administration Physician and Dentist Pay Comparability Act of 1975, or who does not enter into any agreement under this section before the close of such 45-day period, and who thereafter enters into an agreement under this section is entitled to special pay beginning on the date on which the agreement is entered into, or the date on which the physician or dentist becomes employed, whichever date is later.

“(f) Any additional compensation provided as special pay under this section shall not be considered as basic pay for the purposes of

subchapter VI and section 5595 of chapter 55, chapter 81, 83, or 87 of title 5, or other benefits related to basic pay.”

(2) The table of sections at the beginning of chapter 73 of title 38, United States Code, is amended by inserting

“4118. Special pay for physicians and dentists.”

immediately after

“4117. Contracts for scarce medical specialist services.”

SEC. 3. The Administrator of Veterans' Affairs shall submit a report each year to the Committees on Veterans' Affairs of the House of Representatives and the Senate regarding the operation of the special pay program authorized by section 4118 of title 38, United States Code, as added by section 2(d)(1) of this Act. The report shall be on a fiscal year basis and shall contain—

(1) a review of the program to date for the fiscal year during which the report is submitted and for such portion of the preceding fiscal year as was not included in the previous annual report; and

(2) any plan in connection with the program for the remainder of such fiscal year and for the succeeding fiscal year.

This report shall be submitted no later than April 30 of each year.

SEC. 4. (a) No later than August 31, 1976, the Comptroller General of the United States and the Director of the Office of Management and Budget shall complete the following activities and shall each submit a report thereon to the Congress:

(1) An investigation of the short-term and long-term problems facing the departments and agencies of the Federal Government (including the uniformed services) in recruiting and retaining qualified physicians and dentists.

(2) An evaluation of the extent to which the implementation of a uniform system of pay, allowances, and benefits for all physicians and dentists employed in such Federal departments and agencies would alleviate or solve such recruitment and retention problems.

(3) An investigation and evaluation of such other solutions to such recruitment and retention problems as each deems appropriate.

(4) On the basis of the investigations and evaluations required to be made under paragraphs (1), (2), and (3) of this subsection, (A) an identification of appropriate alternative suggested courses of legislative or administrative action (including proposed legislation) and cost estimates therefor, which in the judgment of the Comptroller General or Director, as the case may be, will solve such recruitment and retention problems, and (B) a recommendation, and justification therefore, of which such course should be undertaken.

(b) The reports required by subsection (a) of this section shall also include—

(1) a comprehensive analysis of—

(A) the existing laws and regulations relating to the employment of physicians and dentists by such departments and agencies of the Government, including an analysis of the various pay systems established pursuant to such laws,

(B) the existing physician and dentist recruitment, selection, utilization, and promotion practices of such departments and agencies, and

(C) the degree to which the various pay systems referred to in subparagraph (A), the practices referred to in subparagraph (B), and other relevant departmental and agency practices are effective in alleviating or solving such recruitment and retention problems; and

(2) a comparison of the remuneration received by physicians and dentists employed by such departments and agencies with the remuneration received by physicians and dentists in private practice or academic medicine who have equivalent professional or administrative qualifications, based upon information available through medical, dental, and health associations and other available sources.

(c) In preparing their respective reports required by subsection (a) of this section, the Comptroller General and the Director of the Office of Management and Budget shall consult, to the maximum extent feasible, with each other as well as with the Administrator of Veterans' Affairs, the Secretary of Defense, the Secretary of Health, Education, and Welfare, the Chairman of the Civil Service Commission, and the heads of other appropriate Federal departments and agencies.

(d) No later than March 1, 1977, the Comptroller General shall complete, and shall submit a report thereon to the Congress, a comprehensive investigation and analysis of recruitment and retention problems, both nationwide and geographically, of health care personnel other than physicians and dentists in the Department of Medicine and Surgery with respect to basic pay and premium and overtime pay rates.

(e) The report required by subsection (d) of this section shall specify—

(1) pay relationships which exist, both nationwide and geographically, between such personnel and similar employees of non-Federal health care facilities;

(2) pay relationships which exist, both nationwide and geographically, among such personnel in the Department of Medicine and Surgery (including an analysis of the effect of differing pay systems);

(3) the degree to which the pay relationships referred to in clauses (1) and (2) of this subsection create recruitment and retention or other personnel or related problems in the effective administration and achievement of the mission of the Department of Medicine and Surgery;

(4) the degree to which existing title 38 and title 5, United States Code, authorities have been able to be exercised in a way adequate to deal with any such recruitment and retention and pay problems as to such personnel; and

(5) (A) alternative suggested courses of legislative or administrative action (including proposed legislation) and cost estimates therefor, which in the judgment of the Comptroller General will alleviate or solve any such recruitment and retention and pay problems, and (B) a recommendation, and justification therefor, of which such course should be undertaken.

(f) In preparing the report required by subsection (d) of this section, the Comptroller General shall consult with the Chief Medical Director of the Veterans' Administration and with the heads of other appropriate Federal departments and agencies.

(g) The heads of all Federal departments and agencies shall fully cooperate with and respond expeditiously to all reasonable requests for information and assistance in connection with the preparation of the reports required by this section.

(h) The Administrator of Veterans' Affairs shall submit to the appropriate Committees of the House of Representatives and the Senate reports, prepared by the Chief Medical Director, specifying the effect on the administration and achievement of the mission of the Department of Medicine and Surgery of the alternative courses and recommended course of action identified in the reports required by this section. Each such report shall be submitted no later than one hundred and twenty days after the date on which such other report in question is submitted to the Congress.

SEC. 5. Chapter 73 of title 38, United States Code is amended as follows:

(a) Clause (1) of section 4104 is amended to read as follows:

"(1) Physicians, dentists, nurses, physicians' assistants, and expanded-duty dental auxiliaries;"

(b) Section 4105 is amended by—

(1) inserting at the end of subsection (a) the following new paragraph:

"(8) Physicians' assistants and expanded-duty dental auxiliaries shall have such medical or dental and technical qualifications and experience as the Administrator shall prescribe;" and

(2) striking out in subsection (b) "or nurse unless he" and inserting in lieu thereof "nurse, physicians' assistant, or expanded-duty dental auxiliary unless such person".

(c) Section 4106 is amended by adding at the end thereof the following new subsection:

"(f) The provisions of this section shall apply to physicians' assistants and expanded-duty dental auxiliaries."

(d) Section 4107 is amended by—

(1) inserting before the period at the end of the third sentence of paragraph (5) of subsection (e) a comma and "except as voluntarily requested in writing by the nurse in question"; and

(2) inserting at the end thereof the following new subsection:

"(f) Under standards which the Administrator shall prescribe in regulations, physicians' assistants and expanded-duty dental auxiliaries shall be compensated by use of Nurse Schedule grade titles and related pay ranges and shall be entitled to additional pay on the same basis as provided for nurses in paragraphs (2) through (8) of subsection (e) of this section."

(e) Section 4108 is amended by—

(1) striking out in the language preceding clause (1) in subsection (a) "and nurses" and inserting in lieu thereof a comma and "nurses, physicians' assistants, and expanded-duty dental auxiliaries"; and

(2) striking out "or nurse" in the same language in such subsection and in clause (6) (B) thereof and inserting in lieu thereof

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in each place "nurse, physicians' assistant, or expanded-duty dental auxiliary".

SEC. 6. (a) (1) The amendments made by section 2 of this Act shall become effective on October 12, 1975.

(2) No agreement to provide special pay may be entered into pursuant to section 4118 of title 38, United States Code (as added by section 2(d)(1) of this Act), after October 11, 1976.

(b) Except as provided in subsection (a) (1) of this section, the amendments made by this Act shall become effective beginning the first pay period following thirty days after the date of the enactment of this Act.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

October 10, 1975

Dear Mr. Director:

The following bills were received at the White House on October 10th:

H.J. Res. 683 ✓

H.R. 7706 ✓

H.R. 8240 ✓

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.