

**HEALTH CARE RESOURCES CONTRACTING:
Educational Costs of Physician and Dentist Resident Training
Pursuant To Title 38 United States Code 8153**

1. REASON FOR ISSUE. This Department of Veterans Affairs (VA), Veterans Health Administration (VHA) Handbook implements provisions of Public Law 104-262, the Veterans Health Care Eligibility Reform Act of 1996, which expands VA's health care resources sharing authority under title 38 United States Code (U.S.C.) 8153. This Handbook permits the use of a contract mechanism for the payment of a pro-rated share of the educational costs specified in paragraph 12, Section A, Subsection 6 of this Handbook. **AUTHORITY: Title 38 U.S.C. 8153.**

2. SUMMARY OF CONTENTS. This Handbook sets forth the procedures and responsibilities for implementing and managing health care resources contracts under VA's sharing authority that pertain to the pro-rated payment of educational costs of Graduate Medical Education (GME) or Graduate Dental Education (GDE) to the sponsors of affiliated programs under which physician or dentist residents participate in providing health care services to VA beneficiaries.

a. Veterans Integrated Service Network (VISN) Directors, Deputy VISN Directors, Medical Center Directors, Heads of Contracting Activities (HCA), and Contracting Officers are responsible for compliance with the requirements outlined in this Handbook, for meeting all requirements of law and policy, for meeting all labor management responsibilities, for the establishment of appropriate and legally-sound contract terms, for making sound business decisions, for ensuring that staff are properly trained and are fully capable of exercising any delegated authority, for ensuring adequate documentation of the contract price, and for utilization and performance monitoring.

b. Consequences for staff not following the requirements of this Handbook are described.

c. These health care resources contracts are related to the employment under 38 U.S.C. 7406 of physician and dentist residents in affiliated residency programs who provide health care to VA beneficiaries as part of their clinical training.

d. These contracts may be entered into to pay only those educational costs specified in paragraph 12, Section A, Subsection 6 of this Handbook, and may not include the salary and benefits of physician or dentist residents because they are paid under disbursement agreements.

e. These contracts are non-competitive as they may be entered into only with affiliated institutions that sponsor residency training programs that send residents to VA for training. Under 38 U.S.C. 8153, the administration of physician and dental residency programs are commercial health care resource. As such, all health care resources contracts awarded non-competitively that exceed the dollar thresholds defined in this Handbook require a pre-award audit by the Office of Inspector General to be completed within the timeframe set forth in this

Handbook. When unusual and compelling urgency requires immediate contract award and performance, an audit must be performed post-award.

3. RELATED PUBLICATIONS. VHA Handbook 1660.03, Conflict of Interest Aspects of Contracting for Scarce Medical Specialist Services, Enhanced Use Leases, Health Care Resource Sharing, Fee Basis and Intergovernmental Personnel Act Agreements (IPAS) and VHA Handbook 1400.05, Disbursement Agreements Procedures. VA Handbook 5007/29, Part II, Appendix E, Compensation of Noncareer Residents Serving Under 38 U.S.C. 7406 and VA Directive 1663, Health Care Resources Contracting Under 38 U.S.C. 8153.

4. RESPONSIBLE OFFICE. The Office of Academic Affiliations (10A2D) and the Veterans Health Administration Chief, Procurement and Logistics Officer (10NA2), Office of the Under Secretary for Health are responsible for the contents of this Handbook. Questions may be addressed at 202-461-9490.

5. RECISSIONS. None.

6. RECERTIFICATION. This VHA Handbook is scheduled for recertification on or before the last working day of November 2017.

Robert A. Petzel, M.D.
Under Secretary for Health

DISTRIBUTION: E-mailed to the VHA Publications Distribution List 11/16/2012

**HEALTH CARE RESOURCES CONTRACTING:
Educational Costs of Physician and Dentist Resident Training
Pursuant To Title 38 United States Code 8153**

CONTENTS

PARAGRAPH	PAGE
1. Purpose	1
2. Authority	1
3. Scope	1
4. Responsibilities of the Veterans Integrated Network Director (VISN)	2
5. Responsibilities of the Medical Facility Director	2
6. Responsibilities of the Medical Facility Chief of Staff (COS)	3
7. Responsibilities of the Designated Education Officer (DEO)	3
8. Responsibilities of the Heads of Contracting Activity (HCA)	3
9. Responsibilities of the VHA Procurement and Logistics Office, Medical Sharing or Affiliate Office (MSO)	3
10. Responsibilities of the Contracting Officer	3
11. Responsibilities of the VHA Office of Academic Affiliations	3
12. Procedures for Establishing Educational Cost Contracts	4
13. References	6
14. Definitions	7
 APPENDICES	
A. Sample Solicitation Information – Affiliate	A-1
B. Section B – Continuation of Standard Form 1449 Blocks – Schedule of Prices and Description of Services	B-1

CONTENTS (continued)

APPENDICES

C. Sample Performance Work Statement (PWS) C-1

D. Economic Price Adjustment (EPA) Clause for Graduate Medical
or Dental Educational Costs D-1

**HEALTH CARE RESOURCES CONTRACTING:
Educational Costs of Physician and Dentist Resident Training
Pursuant To Title 38 United States Code 8153**

1. PURPOSE

This Department of Veterans Affairs (VA), Veterans Health Administration (VHA) Handbook further implements provisions of Public Law (Pub. L.) 104-262, The Veterans Health Care Eligibility Reform Act of 1996, which significantly expanded VA's health care resources sharing authority in title 38 United States Code (U.S.C.) 8153. This Handbook details the procedures to use a contract mechanism for the selective, pro-rated payment of educational costs of physician and dentist resident training to the sponsors of affiliated programs under which physician or dentist residents participate in providing health care services to VA beneficiaries.

AUTHORITY: Title 38 U.S.C. 8153.

2. AUTHORITY

The authority for the conduct of residency and student training programs is contained in 38 U.S.C. 7302. The legal authority for disbursement agreements is contained under 38 U.S.C. 7406(c). The Veterans Health Care Expansion Act of 1973, Pub. L. 93-82, that passed on August 2, 1973, authorizes VA to enter into disbursement agreements with one or more hospitals, medical schools, or medical installations having hospital facilities for the central administration of resident salaries and benefits. The law specifies that VA may only pay an affiliate to cover the cost for the period that a resident serves in a VA facility. As a matter of policy, VA does not pay an affiliate's general administrative costs through a disbursement agreement, (see VHA Handbook 1400.05 for disbursement agreement procedures). However, pursuant to 38 U.S.C. 8153, VA may enter into contracts for health care resources, including health care support and administrative resources, related to provision of health care services to VA beneficiaries.

3. SCOPE

a. The medical facility Director determines when it is appropriate to pay from local medical care funds for a pro-rated portion of the educational costs associated with maintaining Graduate Medical Education (GME) or Graduate Dental Education (GDE) programs. It is the mission of VHA to participate in the education of health care professionals, who in turn, provide care to VA beneficiaries. Physician residents, in particular, make up nearly 40 percent of VA's physician workforce and play a major role in providing care to Veterans. VHA policy requires that, with few exceptions (e.g., Chief Residents and Advanced Fellows), all such residents be enrolled in accredited training programs, which must maintain the highest standards of excellence. Approximately 99 percent of VHA's physician and about 70 percent of dental residency training programs are sponsored by an affiliated institution. This Handbook sets forth the procedures that authorize the use of a contract mechanism, pursuant to 38 U.S.C. 8153, for the payment of pro-rated educational costs of the affiliated institutions sponsoring the residency programs which provide physician or dentist residents. The statutory definition of health care resources under

38 U.S.C. 8152 includes health care support resources and administrative resources and would include the operation of a residency program. Moreover, 38 U.S.C. 8153(a)(3)(A) provides that VA may contract with affiliates for health care resources consisting of commercial services without regard to laws associated with competitive acquisitions.

b. VHA policy on the payment of resident physician and dentist salaries and benefits through disbursement agreements is set forth in VHA Handbook 1400.05, Disbursement Agreements Procedures. Under disbursement agreements, VA medical centers pay these salaries and benefits using funds that are received from the centralized, trainee-specific funding administered by the Office of Academic Affiliations (OAA). OAA disburses these funds based upon an allocation process that determines the annual number of positions each VA teaching facility is awarded. VA medical centers may only use funds received from OAA to pay resident stipends and benefits. Under VHA Handbook 1400.05, administrative costs are not payable using these funds. The administrative costs referred to in VHA Handbook 1400.05 are essentially the same costs described as educational costs in this Handbook.

c. The purpose of contracting to pay pro-rated educational costs is to ensure the compliance with VHA policy that mandates that all programs meet appropriate accreditation requirements and to allow local VHA facilities to bear their proportional share of the costs of operating residency training programs. Participation in the education of health care professionals is not only a major mission of VHA, but also allows expansion of the VHA physician workforce in VHA facilities with academic institutions to enable Veterans to receive the highest possible quality of care.

d. "Pro-rated" educational costs need to be established in the contract with the affiliate and may include some or all of those costs of GME set forth in subparagraph 12a(6), in proportion to the number of residents that actually rotate to a VA facility on a program by program basis. *NOTE: In practice, VA's share of pro-rated costs is determined by the number of filled VA resident positions divided by the total number of filled resident positions in a program or in the total of all affiliated programs.*

4. RESPONSIBILITIES OF THE VETERANS INTEGRATED SERVICE NETWORK (VISN) DIRECTOR

The VISN Director or designee approves or disapproves requests for sole source contracts with an Affiliate and is ultimately responsible for full compliance of all pertinent parties in their Network with this Handbook.

5. RESPONSIBILITIES OF THE MEDICAL FACILITY DIRECTOR

The Director determines whether it is appropriate to contract for the payment of selected, pro-rated educational costs to an affiliated sponsoring institution related to the accreditation and operation of GME or GDE programs. A request for a sole source contract with the Affiliate will be approved by the Director. *NOTE: Medical Facility Directors are encouraged to use a portion of the Veterans Equitable Resource Allocation (VERA) education funds to support these contracts for payment of selected educational costs.*

6. RESPONSIBILITIES OF THE MEDICAL FACILITY CHIEF OF STAFF (COS)

The medical facility COS makes recommendations to the medical facility Director regarding determination of physician resident educational costs as fair and reasonable (determined by comparison with national and historical costs for the same or similar services). *NOTE: These responsibilities must be assigned to another appropriate clinician if the COS has a conflict of interest as defined in VHA Handbook 1660.03.*

7. RESPONSIBILITIES OF THE DESIGNATED EDUCATION OFFICER (DEO)

The DEO assists the COS and verifies the educational cost estimates provided by the affiliated sponsoring institution. *NOTE: These responsibilities must be assigned to another appropriate clinician if the DEO has a conflict of interest as defined in VHA Handbook 1660.03.*

8. RESPONSIBILITIES OF THE HEADS OF CONTRACTING ACTIVITY (HCA)

HCA are responsible for implementation and oversight of all contracting requirements contained in this Handbook.

9. RESPONSIBILITIES OF THE VHA PROCUREMENT AND LOGISTICS OFFICE, MEDICAL SHARING OR AFFILIATE OFFICE (MSO)

The VHA Procurement and Logistics Office (10NA2), MSO is responsible for:

- a. The review of all solicitations and pre-award approvals.
- b. Coordinating required reviews with Regional Counsel and OAA.

10. RESPONSIBILITIES OF THE CONTRACTING OFFICER

The Contracting Officer is responsible for:

- a. Assisting in acquisition planning,
- b. Reviewing the Statement of Work,
- c. Coordinating all required technical and legal reviews for medical sharing agreements, and
- d. Ultimately determining whether proposed pricing is fair and reasonable.

11. RESPONSIBILITIES OF THE VHA OFFICE OF ACADEMIC AFFILIATIONS

The Office of Academic Affiliations (10A2D) is responsible for:

- a. Participating in reviews of health care contracts as referred by (10NA2), MSO,

- b. Assisting in the annual review of health care contracts in order to provide insight concerning the reasonableness of the funding requested and cross-facility comparisons, and
- c. Serving in an advisory capacity to field facilities that seek advice on the appropriateness of educational costs for inclusion in these contracts.

12. PROCEDURES FOR ESTABLISHING EDUCATIONAL COST CONTRACTS

a. **Contracting for Pro-rated Payment of Selected Educational Costs related to Physician or Dentist Resident Training.** Only specific information regarding the special requirements of this Handbook is included in subsequent sections. General information applicable to these agreements can be found in the following references: VHA Handbook 1400.05, Disbursement Agreement Procedures, which covers VHA policy regarding allowable reimbursement for physician and dentist resident stipend and fringe benefits; VA Handbook 5007/29, Part II, Appendix E, Compensation of Noncareer Residents Serving Under 38 U.S.C. 7406; and VA Directive 1663, Health Care Resources Contracting Under 38 U.S.C. 8153.

(1) **Enabling Agreements.** Prior to initiating a health care resources contract, the facility must have valid affiliation and disbursement agreements in place. In accordance with VHA Handbook 1400.05, both of these agreements must be approved and signed by the Chief Academic Affiliations Officer. In addition, each covered program must also have a program letter of agreement (PLA), which does not require OAA approval, but must be on file with the DEO and available for review if requested. Of these agreements, only the disbursement agreement may deal with financial considerations pertinent to program and affiliation relationships. In the case of a community-based outpatient clinic (CBOC), all agreements must be with the parent VA facility.

(2) **Established Contracts.** The contracts established pursuant to this Handbook are related to the acquisition of the services of physician and dentist residents in affiliated residency programs who provide health care to VA beneficiaries as part of their clinical training. These contracts pertain to certain administrative and educational costs only, and do not include the salary and benefits of physician or dentist residents.

(3) **Appropriate Entity for a Contract.** The entity with which a local VA facility may enter into a GME or GDE educational cost contract must be the sponsoring institution or its disbursing agent. The sponsoring institution must be listed as such on the affiliation agreement. Program-by-program or clinical department-by-department contracts are not allowable under this policy.

(4) **Sole-source Awards.** Sole-source awards with affiliates are the only option whenever a contract mechanism is considered for the payment of pro-rated, educational costs as such payments are in support of the operational costs of the GME or GDE programs which provide physician or dentist residents to VA for clinical training.

(5) **Rate of Reimbursement.** The rate of reimbursement for a negotiated health care resources contract for the educational costs of GME or GDE must be pro-rated based upon the total number of VA filled positions divided by the total number of resident positions in

comparable GME or GDE programs at the affiliate. **NOTE:** *Programs that do not rotate residents to VA (e.g., pediatrics) do not need to have their positions included in the denominator.*

(6) Types of Expenses Allowed in Educational Cost Contracts. The following categories of educational costs may be included in contracts with an affiliated sponsoring institution. **NOTE:** *These examples are provided for guidance only; each facility needs to decide on a case-by-case basis, which cost category to include. Cost categories not listed must be approved in advance by OAA.*

(a) Accreditation fees, including per program annual assessments and per resident fees for use of online procedure logs. Allowable accrediting bodies include: Accreditation Council for Graduate Medical Education (ACGME), American Osteopathic Association (AOA), and Commission on Dental Accreditation (CODA).

(b) National Resident Match Program (NRMP or “Match”) participation fees.

(c) In-service examination fees.

(d) Residency program management software fees (e.g., “New Innovations” or “E*Value™”) – provided VA-based professional staff have access to the resident and program-specific data in these applications on a “need to know” basis.

(e) Required training, such as Advanced Cardiac Life Support (ACLS) and recertification.

(f) User fees for simulation centers, provided an equivalent simulation experience is not available on-site at the local VA facility.

(g) Mobile communication devices (e.g., pagers, cell phones, PDAs), if not provided by VA.

(h) Recruitment expenses to include only the following: printing brochures, mailing cost, reproduction costs, and advertisement expenses.

(i) Other. Justification and OAA approval required.

(7) Types of Expenses Not Allowed in Educational Cost Contracts. The following categories of educational costs may not be included in health care resources contracts for reimbursement to an affiliated sponsoring institution:

(a) Licensing fees,

(b) Licensing examination (e.g., United States Medical Licensing Exam (USMLE)) fees or registration,

(c) Board certification examination fees,

(d) Malpractice insurance,

(e) Administrative expenses (e.g., for program directors or program coordinators, GME office staff, and office supplies),

(f) Recruitment or orientation expenses that involve meals, travel, or entertainment, and

(g) Faculty salaries or benefits.

(8) The VHA Procurement and Logistics Office (10NA2), MSO coordinates the review and communicates the results to the VA facility submitting the proposed solicitation. Local contracting officials are responsible for incorporating any changes recommended by technical and/or legal review, or provide sufficient justification why such recommendations are not followed, before the solicitation is issued to the sponsoring institution. All actions processed under this policy require technical, including the appropriate clinical service, and legal review prior to issuing a solicitation and prior to award of a contract. OAA will assist (10NA2), MSO in the review of solicitations.

(9) Instructions, sample solicitation information, sample schedule of prices and description of services, and a sample performance work statement, are provided for a health care resources contract for payment of selected, pro-rated educational costs incident to provision of graduate medical education in Appendices A, B, C, and D.

13. REFERENCES

- a. Federal Acquisition Regulation, 48 Code of Federal Regulations (CFR) Chapter 1.
- b. Title 38 U.S.C. Sections 8151-8153.
- c. Title 38 U.S.C. Section 7406.
- d. Title 38 U.S.C. Section 7302.
- e. VA Directive and Handbook 5005, Staffing.
- f. VA Directive 5025, Legal.
- g. VA Handbook 5025, Part IV, Legal, Ethical Conduct.
- h. VHA Handbook 1660.03, Conflict of Interest Aspects of Contracting for Scarce Medical Specialist Services, Enhanced Use Leases, Health Care Resource Sharing, Fee Basis and Intergovernmental Personnel Act Agreements (IPAS).
- i. VHA Handbook 1400.05, Disbursement Agreements Procedures.
- j. VA Handbook 5007/29, Part II, Appendix E, Compensation of Noncareer Residents Serving Under 38 U.S.C. 7406.
- k. VA Directive 1663, Health Care Resources Contracting - Buying, Title 38 U.S.C. 8153.

14. DEFINITIONS

a. **Health Care Resources Sharing Authority.** The contracting authority for the mutual use, or exchange of use, of health care resources between Department health care facilities and any health care provider, or other entity or individual is 38 U.S.C. 8153. Under the sharing authority, VHA may enter into health care resources contracts for the acquisition of health care resources with any health care provider, or other entity, group of individuals, corporation, association, partnership, State or local governments, or individuals.

b. **Health Care Resources Contracts.** VHA may enter into health care resources contracts for the acquisition of health care resources, which is broadly defined to include hospital and ambulatory care, mental health services, medical and surgical services, examinations, treatment, rehabilitative services and appliances, preventive health care, home care, hospice, blood products, health care support resources, and administrative resources.

c. **Non-competitive Health Care Resources Contract.** VHA may enter into a non-competitive health care resources contract consisting of commercial services with an affiliated academic institution, a teaching hospital associated with an affiliated medical college, an individual physician or practice group associated with the medical college, or associated teaching hospital.

d. **Residents.** Residents are individuals who are engaged in an accredited graduate training program for physicians or dentists and who participate in patient care under the direction of supervising practitioners. *NOTE: The term “resident” includes individuals in their first year of training often referred to as “interns” and individuals in approved subspecialty graduate medical education programs who may be referred to as “fellows.”*

e. **Affiliation.** An affiliation means a relationship between VA and an educational institution or other health care facility for the purposes of education and enhanced patient care. An affiliation may also involve research. VA and the affiliate have a shared responsibility for the educational enterprise.

f. **Accreditation.** An accreditation means a status of public recognition that an accrediting agency grants to an educational institution or program that meets the agency’s established standards and requirements. Accreditation represents a professional opinion about the quality of an educational program.

g. **Accrediting Agency.** An accrediting agency means an external educational association of regional or national scope, which develops and publishes criteria by which it conducts evaluations to assess whether or not those criteria are met. Institutions and/or programs that request an agency’s evaluation and that meet an agency’s established criteria are deemed “accredited” by that agency.

h. **Accrediting Agencies for Physician Education.** The accrediting agencies for physician education are authorized accrediting agencies recognized by VA for undergraduate medical education that are the Liaison Committee on Medical Education for allopathic medical schools; and the AOAs on Osteopathic College Accreditation for predoctoral

osteopathic medical education in the United States. Allopathic medical postgraduate training is accredited by the ACGME. The AOA, through its Program & Trainee Review Committee, approves osteopathic postdoctoral training programs, determines program eligibility requirements, and evaluates interns and residents, as well as the postdoctoral programs.

i. **Accrediting Agency for Dentist Education.** The Council on Dental Education, CODA, American Dental Association is the accrediting agency for dentist education recognized by VA for dental students and residents.

j. **Designated Education Officer (DEO).** The VA DEO is the single designated VA employee who has oversight responsibility for all clinical trainees and their training programs at each VA facility that either sponsors or participates in accredited training programs. The organizational title for this education leader may be the Associate Chief of Staff for Education, Director of Education, Chief Education Service Line, or other similar title. ***NOTE: The DEO describes a functional assignment and not an organizational title. Each facility involved with residency programs must appoint a DEO for coordination of local GME and other education activities as assigned.***

k. **Sponsoring Institution.** A sponsoring institution is an organization or entity that assumes the legal responsibility for trainees enrolled in VA educational experiences. The sponsoring institution is the entity in whose name affiliated programs are accredited, and with whom VA must have an affiliation agreement to permit clinical training at VA.

l. **Disbursing Agent.** The disbursing agent is the entity that pays the residents' stipends and fringe benefits as an agent of VA. VA reimburses the disbursing agent for resident stipends and benefits under a disbursement agreement for educational activities performed by residents assigned to VA. ***NOTE: In many instances, the "sponsoring institution" and the "disbursing agent" are the same entity. However, there are exceptions to this general rule.***

SAMPLE SOLICITATION INFORMATION – AFFILIATE

1. This information is provided for the purpose of preparing a health care resources contract consisting of services, fixed price with economic price adjustment (EPA) sole source contract with an affiliated institution that participates in a residency training program with a Department of Veterans Affairs (VA) facility for the educational costs associated with maintaining a properly accredited residency training program. An agency-prescribed EPA clause is also attached for inclusion. The period of performance (POP) is normally 2 or 3 years sole sourced to the affiliate. Claimed costs must be supported by adequate documentation from the affiliate.

2. The following are recommended clauses and provisions normally used for health care resources contracts. Notwithstanding prescriptions contained elsewhere in the Federal Acquisition Regulation (FAR), the Contracting Officer must be required only to use those provisions and clauses prescribed in Part 12 – all additional FAR or VA Acquisition Regulation (VAAR) clauses included may be used when their use is consistent with the limitations contained in 12.302:

a. Commercial Item Solicitation Format

- (1) Standard Form (SF) 1449.
- (2) Addendum to SF 1449.
- (3) FAR 52.212-4.
- (4) Addendum to FAR 52.212-4.
- (5) FAR 52.212-5.
- (6) Contract documents, exhibits or attachments.
- (7) FAR 52.212-1.
- (8) Addendum to FAR 52.212-1.
- (9) FAR 52.212-2 (normally not used to sole source but may).
- (10) FAR 52.212-3.

b. Addendum to FAR 52.212-4:

- (1) 52.204-9 Personal Identity Verification of Contractor Personnel.
- (2) 52.209-8 Updates of Information Regarding Responsibility Matters (Deviation attached).
- (3) 52.217-8 Option to Extend Services.

- (4) 52.217-9 Option to Extend the Term of Contract.
- (5) 52.224-1 Privacy Act Notification.
- (6) 52.224-2 Privacy Act.
- (7) 52.232.17 Interest.
- (8) 52.232-18 Availability of Funds.
- (9) 52.232-19 Availability of Funds for Next Fiscal Year.
- (10) 852.203-71 Display of VA Hotline Poster.
- (11) 852-237-70 Contractor Responsibilities.
- (12) 852-203-70 Commercial Advertising.
- (13) 852-271-70 Nondiscrimination in Services Provided Beneficiaries.

c. Addendum to FAR 52.212-1

- (1) 52.209-7 Information Regarding Responsibility Matters.
- (2) 52.216-1 Type of Contract.
- (3) 52.233-2 Service of Protest.
- (4) 852.233-70 Protest Content.
- (5) 852.233-71 Alternative Protest Procedure.
- (6) 852.270-1 Representatives of Contracting Officers.
- (7) 852.209-70 Organizational Conflict of Interest.

SECTION B – CONTINUATION OF STANDARD FORM (SF) 1449 BLOCKS**SCHEDULE OF PRICES AND DESCRIPTION OF SERVICES**

Price proposal submission instructions must direct that the affiliated entity include all supporting documents that identify the actual costs associated to the individual contract line item number (CLIN). Examples of such documents include executed Affiliate agreements, number of residents in the program, and other information necessary to support the pro-rata costs proposed.

CLIN	Description	QUANTITY	TOTAL ANNUAL
0001	Educational costs and other costs allowable (identify-fill-in).	Identify the actual number of resident positions filled (fill-in).	Estimated sum total for annual year (fill-in).

Base year – date of award through September 30, 2012

CLIN	Description	QUANTITY	TOTAL ANNUAL
1001	Educational costs and other costs allowable.	Identify the actual number of resident positions filled.	Estimated sum total for annual year.

Option Year One – October 1, 2011 through September 30, 2013

CLIN	Description	QUANTITY	TOTAL ANNUAL
2001	Educational costs and other costs allowable.	Identify the actual number of resident positions filled.	Estimated sum total for annual year.

Option Year Two – October 1, 2012 through September 30, 2014

CLIN	Description	QUANTITY	TOTAL ANNUAL
3001	Educational costs and other costs allowable.	Identify the actual number of resident positions filled.	Estimated sum total for annual year.

SAMPLE PERFORMANCE WORK STATEMENT (PWS)

1. PURPOSE. This is a health care resources contract between [name of Department of Veterans Affairs (VA) Medical Center or VA Health Care System] (hereafter referred to as the “VAMC”) and [name of affiliate or Sponsoring Institution] (hereafter referred to as the “Affiliate”), an institution affiliated with VAMC, requiring Affiliate to provide health care resources consisting of commercial services for maintenance of an accredited graduate medical or dental education program. Where residents from the affiliated institution are providing health care services to VA beneficiaries at the VAMC, the VAMC requires that the affiliate have and maintain an accredited graduate medical or dental education program. VA will be responsible for a pro-rata share of such educational costs and render payment to Affiliate for these services provided.

2. BACKGROUND AND DEFINITIONS. Affiliate administers and maintains accredited graduate medical education programs under which [physician or dentist] residents receive training and participate in providing health care services to VA beneficiaries at VAMC in accordance with the following executed agreements:

a. **Definitions**

(1) **Affiliation Agreement.** Affiliation agreement is the agreement dated [insert date] between Affiliate and VAMC establishing an affiliation in accordance with title 38 United States Code (U.S.C.) 7302 relating to a graduate medical or dental education program sponsored by the Affiliate through which graduate medical or dental trainees provide health care to beneficiaries of VAMC. An affiliation agreement, duly approved and signed by the Chief Academic Affiliations Officer (10A2D), is a pre-requisite for entering into a health care resources contract in support of graduate medical or dental education. **NOTE:** *In most cases, the “affiliate” and the “sponsoring institution” are the same. If, however, the “sponsoring institution” (i.e., the institution listed by the accrediting body as responsible for the graduate medical or dental education programs) is a separate entity (e.g., a university hospital) from the primary affiliate (e.g., a medical school), then there must be an affiliation agreement with the sponsoring institution or it must be listed as a participant on the affiliation agreement with the primary affiliate. “Affiliate,” in this agreement, is taken to refer to either the primary affiliate or the sponsoring institution. The entity named as the “affiliate” should be the institution that is responsible for all costs pertaining to graduate medical or dental education.*

(2) **Disbursement Agreement.** Disbursement agreement is the agreement between Affiliate (and/or its Disbursing Agent) and VAMC relating to payment of stipends, fringe benefits [and other allowable costs] for medical and dental residents participating in Affiliate's graduate medical or dental training program and assigned to VAMC.

(3) **Program Letter Agreement (PLA).** PLA is the agreement between Affiliate and VAMC supplementing the Affiliation Agreement and establishing policies and procedures for, and providing other information about, the specific graduate medical or dental education program through which graduate medical or dental trainees provide care to beneficiaries of VAMC.

(4) **Resident.** The term “resident” refers to an individual who is engaged in an accredited graduate training program for physicians or dentists and who participates in patient care under the direction of supervising practitioners. *NOTE: For the purpose of this solicitation, the term “resident” includes individuals in their first year of training sometimes referred to as “interns” and individuals in approved subspecialty graduate medical or dental education programs also referred to as “fellows.”*

b. The Affiliate provides certain services and incurs certain costs to administer its accredited training program for graduate medical or dental trainees, including those residents assigned to VAMC. It is mutually beneficial to the parties for the Affiliate to provide administrative and other services (e.g., maintenance of accreditation) for the graduate medical or dental training program in a consistent and continuous manner. Section 8153 of 38 U.S.C. provides authority for VAMC to pay a pro-rata share of the cost of the health care resources, as defined by 38 U.S.C. 8152, including health care support and other administrative resources provided by Affiliate as these costs are non-severably related to the maintenance and support of a properly accredited graduate medical or dental training program and the health care services provided by residents thereunder.

3. SERVICES TO BE PROVIDED BY AFFILIATE. In order for an affiliate to maintain and administer a properly accredited graduate medical or dental training program, an Affiliate incurs certain costs.

a. Affiliate must provide the following for graduate medical or dental trainees assigned to the VAMC (either by providing services directly or, as appropriate, paying the appropriate third party to provide for such items).

b. All determinations must be calculated annually and based upon the proportionate share of residents that actually rotate to the VAMC. These costs may be estimated, not to exceed a price ceiling, at the beginning of the academic year.

(1) For fixed costs, such as accreditation fees, by dividing the positions of scheduled VAMC-paid or reimbursed residents by the total resident positions in a program times the total cost of the item.

(2) For variable costs, number of resident positions rotating to the VAMC times the per resident position cost of the specific item.

(3) Pro-rated program costs must be rolled up to the institutional level and standardized across programs, whenever possible. The basis for the pro rata determination of the aggregate costs for each item included must be provided to the VAMC contracting officer for review. This contract mechanism is not applicable to individual programs and may only be used for contracts with a sponsoring institution – only one contract per sponsoring institution allowable. Total annual estimated costs per item are used to calculate a per resident position annual rate.

c. Indicate below each proposed service to be supplied by the Affiliate:

() Accreditation fees, including per program annual assessments and per resident fees for use of online procedure logs imposed by one or more of the following accrediting body:

- ___ Accreditation Council for Graduate Medical Education (ACGME)
- ___ American Osteopathic Association (AOA)
- ___ Other (identify the name of approved accrediting body

_____)

() National Resident Match Program participation fees

() In-service examination fees

() Residency program management software fees for:

- ___ New Innovations
- ___ E*Value or
- ___ Other (list other software _____)

NOTE: Fees for these software programs may only be included in this contract if VAMC-based professional staff have access to the resident and program-specific data in these applications on a "need to know" basis.

() Advanced Cardiac Life Support (ACLS) training and recertification.

() Other required training courses, as follows:

(List all training courses supplied by affiliate and covered in this contract)

() Mobile communication devices such as pagers, cell phones, and PDAs. **These costs should not be included if VAMC provides these devices directly to graduate medical trainees.**

() User fees for simulation center located at Affiliate (or indicate other location and provide physical location),

() Other items listed below:

NOTE: All "other" items must be specifically listed to be covered by this contract. Only items approved by the VA Office of Academic Affiliations and the Office of Business Oversight may be included in this contract. **In no event may any cost covered by the Disbursement Agreement or any other agreement or contract between VAMC and Affiliate (such as a medical sharing clinical service contract) be included in this contract.**

VA cannot reimburse licensing fees, licensing examination (e.g., USMLE) fees, Board examination fees, or program administration expenses, (see subpar. 12a(7) of this Handbook for other items not covered by VA).

4. TERM OF CONTRACT

The resultant contract is a fixed price contract with economic price adjustment (EPA). This contract is effective 1 year from date of award plus two (2) 1 year options that may be exercised by the VAMC. [Use as an insert – for base+X options.]

5. PAYMENT BY VAMC. In consideration of the services provided by Affiliate as listed in paragraph 3 of this Appendix, VAMC agrees to make payments to the Affiliate as follows:

a. A fiscal obligation must be established by VAMC to be provided to the Affiliate and approved by VAMC.

b. Payments must be made in arrears upon receipt of a properly prepared invoice and reconciliation against VAMC records. Each invoice must include a computation of the total resident positions (including fractions thereof) filled by graduate medical or dental trainees during the year being billed (which shall be calculated in a manner consistent with the method established in the executed Disbursement Agreement – see VHA handbook 1400.05). Records from the Disbursement Agreement management would be used to determine the total positions over the course of the year.

c. The amount of each annual payment shall be calculated by multiplying the total number of graduate medical or dental trainee filled positions by the annual rate stated in the pricing schedule.

**ECONOMIC PRICE ADJUSTMENT (EPA) CLAUSE FOR GRADUATE MEDICAL OR
DENTAL EDUCATIONAL COSTS**

Instructions: The following text is the recommended agency prescribed language when including an economic price adjustment. This language is normally attached when constructing a commercial solicitation and labeled as Section D.

1. The graduate medical or dental educational costs associated with an accredited resident training program for the base year and any option years, should they be renewed, may be subject to an economic price adjustment. Corresponding adjustments could result in either a decrease or increase in payment to the Contractor depending on the supporting documentation for any given time period.
2. The burden of requesting an economic price adjustment from the VA Contracting Officer lies with the Contractor. The Contractor's notification to the VA Contracting Officer must include a list detailing the new proposed educational costs and supporting documentation that substantiates that these costs are current. Within seven (7) calendar days of being properly notified of the change(s) in these costs by the Contractor, the VA Contracting Officer will attempt to verify the change(s) based on existing affiliation agreement and/or supporting documents provided. If the change(s) cannot be verified, the VA Contracting Officer will notify the Contractor of this determination, and will work with the Contractor to identify the issue(s) preventing verification. If the change(s) can be verified, the VA Contracting Officer will implement the corresponding adjustments within fourteen (14) calendar days of verification. In the latter case, the VA Contracting Officer will implement the change(s) on the effective date unless the effective date falls within the fourteen (14) calendar days the VA Contracting Officer is afforded to implement the change(s) after verification.
3. The VA Contracting Officer reserves the right to retain any of the remaining fourteen (14) calendar days between verification and implementation regardless of the effective date of the change(s). The Contractor is not entitled to retroactive payment rate adjustments prior to implementation of the change(s). "Piecemeal" changes to education costs, XXX-fill-in_____ will not be permitted under any circumstance. The Contractor shall accept all changes for the period in which they are effective.
4. VA reserves the right to adjust the Educational Costs under this contract at anytime should the program cancel regardless of whether the Contractor notified the VA Contracting Officer of the change(s). The Contractor will be given a notice of such actions at least seven (7) calendar days prior to the effective date of the change(s). Should there be any disagreement with the VA Contracting Officer's proposed change, the Contractor must submit a response outlining those areas in which the Contractor disagrees. This response must be provided to the Contracting Officer within seven (7) calendar days of notification of the anticipated change. The VA Contracting Officer reserves the right to make the final determination with regard to any change. Should the VA Contracting Officer implement any change(s) under this contract, the Contractor shall accept all corresponding adjustments for the time period in which they are effective.

5. There shall be no adjustment for any change in contract of this clause which would not result in a net change of at least ____ (fill in) percent of the then-current total contract price.
6. The aggregate of the increases in any contract unit price made under this clause shall not exceed ____ (fill in) percent of the original contract unit price. There is no percentage limitation on the amount of decreases that may be made under this clause.
7. The Contracting Officer may examine the Contractor's books, records, and other supporting data relevant to the prices of material shown in the executed contract during all reasonable times until the end of 3 years after the date of final payment under this contract or the time periods specified in Subpart 4.7 of the Federal Acquisition Regulation, whichever is earlier.