Capital Asset Realignment for Enhanced Services (CARES)

Stage II Report
Site: Lexington

April 2007

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VA has also contracted with another government contractor, Pruitt Group EUL, LLC, to develop re-use options for this study site. Pruitt Group EUL, LLC issued its report, *Enhanced Use Lease Property Re-use/Redevelopment Plan Phase Three: Re-use/Redevelopment Report*, *Veteran Affairs Medical Center, Lexington, KY* which is available at the VA's Office of Asset Enterprise Management website. As directed by VA, PwC has included information from its report in relevant parts of its analysis. PwC was not engaged to review and, therefore, makes no representation regarding the sufficiency of nor takes any responsibility for any of the information provided by Pruitt Group EUL, LLC.

This report was written solely for the purpose set forth in Contract Number V776P-0515 and, therefore, should not be relied upon by any unintended party who may eventually receive this report.

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1.0 Executive Summary

CARES is VA's effort to produce a logical, national plan for modernizing healthcare facilities. The objective is to identify the optimal approach to provide current and projected veterans with healthcare equal to or better than is currently provided in terms of access, quality, and cost effectiveness, while maximizing any potential re-use of all or portions of the current real property inventory owned by VA. While most VA Medical Centers (VAMCs) have received approval to proceed with plans consistent with the CARES objectives, the Secretary of Veterans Affairs' May 2004 CARES Decision determined that additional study was necessary for the Leestown Division of the Lexington Kentucky, VAMC.

The purpose of this report is to present the results of Stage II of the CARES study process for Lexington. In Stage II, Team PwC and Pruitt Group (independent contractor to VA on re-use) conducted a detailed assessment of short-listed Business Plan Options (BPOs) in order to provide VA decision makers with an evaluation of each BPO and its relative strengths and weaknesses. A separate implementation plan featuring risk mitigation strategies will be developed for each BPO.

A number of key drivers were considered in the development and evaluation of BPOs: Healthcare demand at Lexington is increasing; There is opportunity to better use VA resources and improve operating cost efficiencies; Significant capital expenditure is required to upgrade facilities to modern, safe and secure standards; The Leestown campus is reasonably well located for a variety of re-use plans which could be used to offset the capital investment needed for this campus.

The Secretary of VA approved the following short-listed BPOs for detailed study in Stage II: Baseline option (BPO 1); Build New Clinical Care and Administrative Facilities on Southeast Portion of Campus (BPO 5); Build New Clinical Care Facilities and Renovate Administrative Buildings on Central Portion of Campus (BPO 6).

The BPOs were compared against the Baseline option using 5 categories of evaluation criteria: Capital Planning, Use of VA Resources, Re-Use, Ease of Implementation and Ability to Support Other VA Programs. Parallel to the evaluation, Team PwC solicited input from a Local Advisory Panel and other interested stakeholders regarding their comments and concerns for each BPO.

Based on the results of Stage II, each of the options was found to have relative merits and varying levels of support from stakeholders. The Baseline option renovates existing buildings to provide a modern, safe, and secure environment to accommodate the projected 2023 utilization. The baseline option has several limitations from a capital, re-use, financial, and implementation perspective. Given the limitations on construction in the Baseline, the space at the Leestown campus cannot be optimally configured for future use. Additionally, the renovations across the campus are complex and pose inconveniences for patients while these are being conducted in 13 clinical buildings. These renovations require more capital investment than the other options. This option results in higher operating costs and overall net present costs than the other options. Although an alternate Baseline does include re-use for Parcels 1, 2, and 5, the estimated proceeds

for this option are the lowest of any option. Finally, stakeholders and the Local Advisory Panel (LAP) expressed concerns about several features of the baseline option: it costs the most, does not allow for adjacency of services, creates the most underutilized space and does not provide new state-of-the-art facilities for veterans and staff.

BPO 5 has several advantages over the baseline option. The new construction can achieve the most optimal configuration of space and thereby eliminate vacant and underutilized space. The construction can be completed in the shortest amount of time, is a relatively less complex project, and allows for a coordinated move into the new facilities once completed which is preferred to renovating around patients. By moving all of the facilities to the eastern part of the campus, this makes available for Parcels 3 – 6 for re-use. The re-use potential for these parcels in the Leestown market is greatest for BPO 5, resulting in the highest estimated re-use proceeds. Furthermore, the new construction requires the least capital investment and lowest overall net present cost of any of the options. BPO 5 also is the most preferred by stakeholders and the LAP. They cited several positive features of this option: it is cost effective, provides new state-of-the-art facilities for veterans and staff, has the shortest duration and least disruption to patients, and leaves historic buildings for preservation and reuse. On the other hand, they raised concerns about the importance of retaining sufficient land for potential future expansion.

BPO 6 is a combination of both new construction and renovation of existing buildings on the central portion of the campus. Through this option, there is opportunity to reduce vacant and underutilized space as in option 5; however, the renovations result in a project of similar length to the Baseline and complex phasing of renovations around patients. The re-use of Parcels 1, 2, 3, and 5 results in re-use proceeds higher than those in the Baseline but lower than those estimated for option 5. BPO 6 results in similar financial outcomes as the Baseline that also requires primarily renovations to the capital plan. Stakeholders and the LAP favor this option over BPO 1 because it provides new state-of-the-art facilities. However, stakeholders and the LAP noted that this option takes longer to implement than BPO 5 and has other draw backs including: greater complexity, more demolition, separate support services, and insufficient land to be retained by VA for potential future expansion.

2.0 Introduction and Background

Purpose of Report

The Capital Asset Realignment for Enhanced Services (CARES) study process consists of a planning phase and two study phases, Stage I and Stage II. In Stage I, Team PricewaterhouseCoopers (Team PwC) developed and assessed a broad range of potentially viable business plan options (BPOs) that met the forecast healthcare needs for the study sites. Several of the studies involved a re-use analysis prepared by Pruitt Group EUL, LLC, and Other Government Contractors (OGC). Based upon an initial assessment of these BPOs, Team PwC recommended up to six BPOs to be taken forward for further development and assessment in Stage II, and the Department of Veterans Affairs (VA) reviewed this recommendation and selected the specific BPOs to be studied further. In Stage II, Team PwC and OGCs conducted a more detailed assessment of the short-listed BPOs in order to provide VA decision makers with an evaluation of each BPO and its relative strengths and weaknesses. This report together with the separate report on re-use for the Lexington study site. (*Enhanced Use Lease Property Re-use/Redevelopment Plan Phase Three: Re-use/Redevelopment Report*, *Veteran Affairs Medical Center, Lexington, KY*) summarizes the work done by Team PwC and OGCs in Stage II. A separate implementation plan featuring risk mitigation strategies will be developed for each BPO.

Project Overview

CARES is VA's effort to produce a logical, national plan for modernizing healthcare facilities. The objective is to identify the optimal approach to provide current and projected veterans with healthcare equal to or better than is currently provided in terms of access, quality, and cost effectiveness, while maximizing any potential re-use of all or portions of the current real property inventory owned by VA. While most VA Medical Centers (VAMCs) have received approval to proceed with plans consistent with the CARES objectives, the Secretary of Veterans Affairs' May 2004 CARES Decision determined that additional study was necessary for the Leestown Division of the Lexington Kentucky, VAMC.

The following key facts underlie this study:

- The Lexington VAMC is located in Lexington, KY and is 71 miles from Louisville, Kentucky, and 89 miles from Cincinnati, Ohio. It is part of Veterans Integrated Service Network (VISN) 9, which comprises four markets: Northern Market, Eastern Market, Central Market and Western Market. The Lexington VAMC is in the Northern Market.

- The Leestown Division or campus of the Lexington VAMC is located five miles from the Cooper Drive campus and consists of approximately 135 acres[1], parts of which are vacant or contain unused buildings. The majority of the buildings on the Leestown campus were

[1] 135 acres was identified through a site survey initiated by the reuse contractor as part of their analysis. However, the capital planners did not have access to this site survey during their analysis. As a result, the capital planners used a property size of approximately 129 acres which was based on CAD calculations.

constructed between 1930 and 1950 and while well maintained, have exceeded their useful life for clinical and support functions.

- This campus provides nursing home care (59 beds), including hospice and respite services, a psychiatric residential rehabilitation treatment program (20 beds), and primary care and other outpatient mental health modalities including substance abuse treatment. Other facility level administrative functions serving both divisions such as engineering and food preparation are also housed there.

- other facility level (serving both divisions) administrative functions such as engineering and food preparation

- The Cooper Drive campus is a tertiary care facility containing 107 beds and is located adjacent to the University of Kentucky Medical Center. Acute medical, neurological, surgical, psychiatry, and inpatient services are provided at the Cooper Drive campus. Outpatient primary care and specialty service care including ambulatory surgery are also provided at the Cooper Drive campus.

- The Secretary's May 2004 Decision rejected a proposal to consolidate the two campuses at the Cooper Drive location, but did order further study on how to reduce the footprint of the Leestown campus.

Following a period of data gathering and analysis conducted under VA-approved methodologies, Team PwC presented its Stage I report to VA. A summary of this report is available online at http://www.va.gov/cares. The report describes a total of five options consistent with the mandates of the Secretary's May 2004 decision for the Lexington study site. BPOs 6 and 7 were proposed by the Local Advisory Panel (LAP) at the second LAP Public Meeting on September 22, 2005. It was determined that these two options met the initial screening criteria before moving forward. After examining the BPOs presented in the Stage I report, the Secretary determined that BPOs 1 (Baseline), 5, and 6 (summarized below) be further analyzed in Stage II.

Study Drivers

Over the course of Stage I, four major drivers affecting planning for the Lexington study site were identified. These drivers represent factors of considerable importance at the Lexington study site that must be balanced in the development and evaluation of Business Plan Options (BPOs). They are:

1. Healthcare demand at the Leestown campus is projected to increase.
2. Addressing substantial vacant and underused space provides for better use of VA resources.
3. The level of capital expenditure required over the next 20 years to upgrade facilities to modern, safe, and secure standards is significant.
4. Economic conditions and market demand for real estate are favorable.

Furthermore these study drivers are particularly noticeable at the Leestown campus and are each described further below.

Healthcare Demand at the Leestown Campus is Increasing – The Leestown campus has projected nursing home demand of 59 beds and inpatient residential rehab and domiciliary demand of 30 beds (20 as of 2005 and 30 as of 2007). The increase of 30 inpatient residential rehab beds combined with the 59 nursing home beds equates to an increase of inpatient beds of 51%. With regard to ambulatory services, an increase in ambulatory stops from 30,289 to 76,460 is projected between 2003 and 2023, a 252% increase. The increase in ambulatory services at the Leestown campus is primarily driven by an increase in primary care services. In addition, outpatient mental health demand is projected to increase from 23,836 stops to 31,939 stops or 34%.

Better Use of VA Resources – Currently there is approximately 705,000 BGSF at the Leestown campus with more than 250,000 BGSF currently vacant. Based on the projected 2023 workload volumes which include the shift of outpatient workload from the Cooper Drive campus, there is a need for approximately 340,000 BGSF. This results in a substantial current and projected amount of vacant and underutilized space that is costly to maintain.

Operating Cost Effectiveness and Level of Capital Expenditure – The Leestown campus requires significant capital investment to upgrade to modern, safe, and secure standards. On average building condition assessments have shown that if the buildings are continued to be used, they will require a high level of renovation to achieve these standards. As a result, the level of capital expenditure required to construct new facilities is not materially different from that required for renovation. Furthermore, renovated facilities will not provide the level of operating efficiencies that would be realized in a new integrated facility.

Re-Use Potential – Analysis of the re-use potential for the Leestown campus indicates that it is reasonably well located for a variety of re-use plans. The campus is located on Leestown Road, a major connector to downtown Lexington, and is less than one mile away from New Circle Road and within close proximity to two interstate highways. Favorable economic conditions and market demand exist locally for various potential re-uses, including light industrial, distribution, residential (primarily single family), and institutional (education or healthcare).

Summary of Stage I BPOs

BPOs Recommended for Further Study

The BPOs recommended for further study share some key similarities. All of them would provide an attractive solution to upgrading the campus to modern, safe, and secure standards, while right-sizing the campus for future demand.

Table 1: BPOs Recommended by Team PwC for Further Study

BPO 1: Baseline
Renovation and maintenance of existing buildings for a modern, safe, and secure healthcare environment. Under this BPO, the lower two floors of existing Buildings 27 and 28 will be renovated to accommodate outpatient workload. Ambulatory workload currently delivered in Building 1 would be relocated to Buildings 27 and 28. Nursing home and mental health residential facilities will be renovated. New surface parking around these buildings would be constructed to accommodate the increased number of patients. Parcels 1, 2, and 5 are available for re-use.
BPO 4: Construct a 65,000 Square Foot Outpatient Building on the Central Portion of the Campus
Under this BPO, a 65,000 square foot building will be constructed on the central portion of the campus on Parcel 6 adjacent to the existing main parking area. This would accommodate the consolidation of outpatient workload, including the relocated clinic from Building 1. Certain administrative functions residing in Building 17 would be moved to vacated space in Building 1. Nursing home and mental health residential facilities will be renovated. New surface parking around these buildings would be constructed to accommodate the increased number of patients. Parcels 1, 2, 3, 4, and 5 are available for re-use.
BPO 5: Replace all Facilities on Vacant Land in the Southeastern Part of the Campus
Under this BPO, an appropriately sized facility to house all clinical and administrative functions would be constructed in the southeastern part of the campus on land which is mostly vacant. Nine smaller buildings, some of which were previously used as quarters for staff, will be demolished to accommodate the building and adjacent parking area. The main part of the campus will be completely vacated and all buildings and land available for re-use. New surface parking around these buildings would be constructed to accommodate the increased number of patients. Parcels 3, 4, 5, and 6 are available for re-use.
BPO 6: Construct a 65,000 Square Foot Outpatient Building Adjacent to Buildings 17 and 25
This BPO was created during the second LAP meeting and is similar to BPO 4 except for the location of the proposed outpatient building. A 65,000 square foot building will be constructed on the northwestern side of the campus on Parcel 6 adjacent to Buildings 17 and 25. This would accommodate the consolidation of outpatient workload, including the relocated clinic from Building 1. Certain administrative functions residing in Building 17 would be moved to vacated space in Building 1. Nursing home and mental health residential facilities will be renovated. New surface parking around these buildings would be constructed to accommodate the increased number of patients. Parcels 1, 2, 3, 5, and a significant portion of Parcel 4 are available for re-use.

BPOs Not Recommended for Further Study

The BPOs which Team PwC eliminated from further consideration were BPOs 2, 3, and 7. This is because BPO 2 does not produce the most effective space configuration, and the lengthy timeframe makes BPO 2 riskier, the construction and partial renovation in BPO 3 is not the most effective way to address the need for new outpatient space, and BPO 7 does not make all of the vacant parcels available for re-use.

Table 2: Stage II Study BPOs Not Recommended for Further Study

BPO 2: Renovate Buildings 25 and 17 on the Northwest Corner of Campus
Under this BPO, Buildings 25 and 17 will be renovated to accommodate consolidation of all outpatient workload, including the relocated clinic from Building 1. Certain administrative functions residing in Building 17 would be moved to vacated space in Building 1. The outleases in Building 25 would be relocated and the space made available for clinical services. Nursing home and mental health residential facilities will be renovated. New surface parking around these buildings would be constructed to accommodate the increased number of patients. Parcels 1, 2, 3, and 5 are available for re-use.
BPO 3: Renovate Buildings 25 and 17 and Construct an Adjacent 30,000 Square Foot Outpatient Building
Under this BPO, Buildings 25 and 17 will be renovated and an adjacent 30,000 square foot building will be constructed to accommodate consolidation of all outpatient workload, including the relocated clinic from Building 1. Certain administrative functions residing in Building 17 would be moved to vacated space in Building 1. Nursing home and mental health residential facilities will be renovated. This BPO differs from BPO 2 in that the outleases in Building 25 remain and the proposed configuration allows for more swing space. New surface parking around these buildings would be constructed to accommodate the increased number of patients. Parcels 1, 2, 3, and 5 are available for re-use.
BPO 7: Construct a 65,000 Square Foot Outpatient Building Adjacent to Buildings 17 and 25; Retain all Land on the West Side of Campus
This BPO was created during the second LAP meeting and is identical to BPO 6 except that Parcels 3 and 4 are excluded from re-use.

Secretary's Decision for Stage I

The Secretary reviewed the Team PwC Stage I report and the recommendations of the Local Advisory Panel (LAP); instructing Team PwC to proceed with Stage II to provide more detailed analysis on BPO 1 (Baseline), 5 and 6. The Secretary's 2004 Decision Document noted the majority of buildings on the Leestown campus were constructed between 1930 and 1950 and, while well maintained, have exceeded their useful life for clinical and support functions. The Leestown Campus study has been designed to address capital and re-use options, to determine the best combination of new construction and renovation to modernize the campus while still providing a footprint permitting effective re-use of vacant land. There has been strong stakeholder interest identified in developing a Master Plan that continues to provide space on campus for organizations with complimentary veteran focused services. The Stage I assessment supports either the consolidation or replacement of all current facilities on the vacant land in the southeastern part of the campus, or the construction of a new outpatient facility with renovation of other buildings as the most attractive options.

The Secretary recommended that BPOs 5 and 6 proceed into Stage II, with one caveat for BPO 6. In BPO 6, the construction of the new outpatient building close to Buildings 17 and 25 leaves these two buildings half occupied; however these should be consolidated into one building, or into another space

Full Description of Stage II BPOs

Following the Secretary's Stage I decision announcement, Team PwC met with local VA representatives to review each BPO selected by the Secretary for further study. The purpose of these meetings was to:

- Understand the Secretary's recent decisions
- Clarify the Secretary's decision regarding changes to healthcare service delivery, facilities and availability of land/buildings for re-use
- Refine the BPO descriptions and site maps to take into account any information concerning the facility or the application of Stage II study assumptions
- Clarify the BPO descriptions for ease of understanding and consistency

The refined BPOs descriptions for the options being considered for Lexington in Stage II are the following:

Table 3: BPOs Recommended by Team PwC for Further Study

BPO 1 (Baseline Option)
Current state projected out to 2013 and 2023 without any changes to programs except as indicated in the Secretary's Decision. Renovation and maintenance of existing buildings for a modern, safe, and secure healthcare environment are addressed, where conditions allow. Buildings 16 and 28 would be renovated to accommodate outpatient workload. Outpatient workload currently delivered in Building 1 would be relocated to Buildings 16 and 28. The nursing home would be relocated from Building 16 to renovated space in Building 27 (This relocation is presently in progress). Both the nursing home (Building 27) and mental health residential facilities (Building 29) would be renovated. New surface parking around these buildings would be constructed to accommodate the increased number of patients. NOTE: As buildings and land become vacant over the forecast period, the study will assess the re-use potential of Parcel 1 as well as vacant buildings.
BPO 5 (Build New Clinical and Administrative Facilities on Southeast Portion of Campus)
Appropriately sized multi-story facilities to house all clinical and administrative functions and new surface parking to accommodate the increased number of patients would be constructed in the southeastern part of the campus on land which is mostly vacant. Nine smaller buildings, some of which were previously used as quarters for staff, will be demolished to accommodate the building and adjacent parking area. Constructing new clinical care facilities on this land will have several benefits for patients and staff including larger patient rooms, additional private rooms, private bathrooms in all patient rooms, additional treatment and therapy spaces, wider hallways, improved patient entries, walkways and parking, and larger support functions located in closer proximity to nursing space. The main part of the campus will be completely vacated and all buildings and land available for re-use. Remaining acreage identified as Parcel 2 will be available for re-use.
BPO 6 (Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus)
New construction in the central portion of the campus will be appropriately sized to accommodate increasing outpatient workload and consolidation of fragmented outpatient functions and to provide safe, modern, and secure facilities for behavioral health, residential care and nursing home workloads. Administrative, logistics and support functions would be consolidated in remaining existing buildings. New surface parking in proximity to these buildings would be constructed to accommodate the increased number of patients. Buildings 10, 12, 16, 17, 25, 29 and in particular 27, 28, would be considered for re-use or demolished to accommodate new construction and parking. Other outlying logistics buildings may also be demolished to the extent that remaining existing buildings can accommodate logistics and support functions near the core of the revised campus. New clinical care facilities utilizing this land will have multiple benefits for patients and staff including larger patient rooms, additional private rooms, private bathrooms in all patient rooms, additional treatment and therapy spaces, wider hallways, improved patient entries, walkways and parking, and larger support functions located in closer proximity to nursing space. Remaining acreage identified as Parcel 3 will be available for re-use.

The physical requirements for each of these BPOs are intended to provide an acceptable level of quality consistent with established VA standards, together with consolidation of functions through renovation and/or through construction of new freestanding buildings. Renovations to existing buildings will take several phases spread over several years since many of the existing buildings are occupied (fully or partially) and occupants will have to be relocated during renovation.

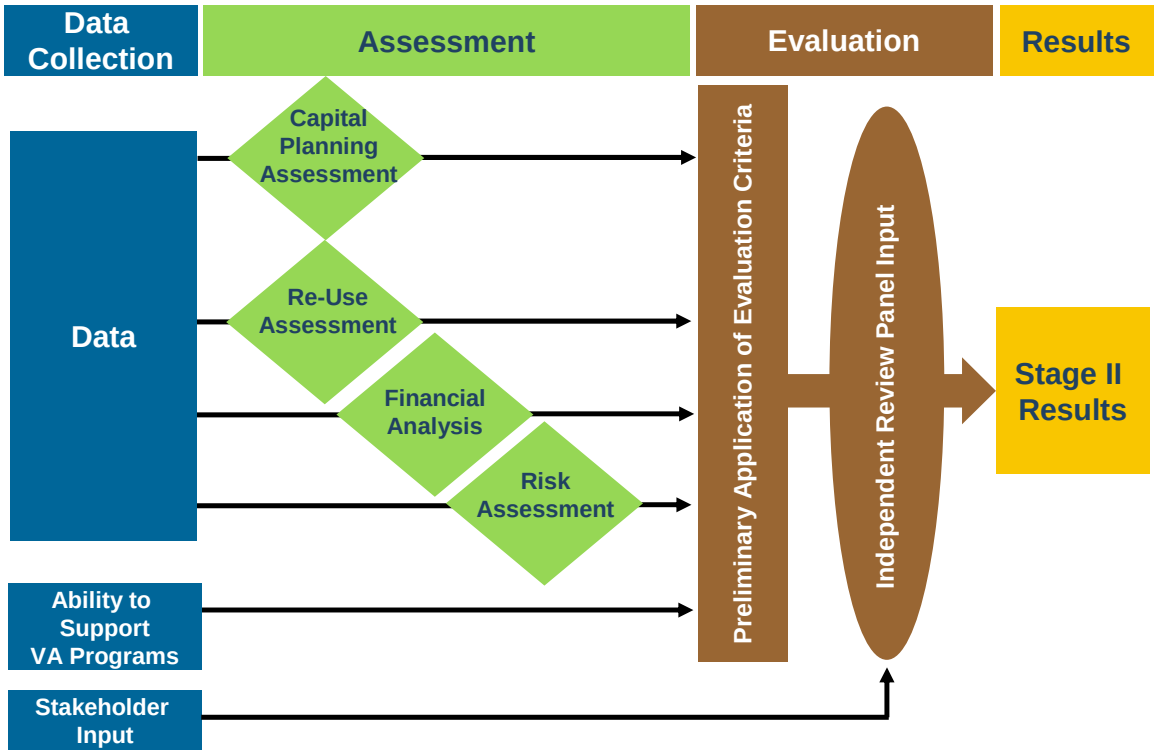
3.0 Summary of Stage II Methodology

Overview

This section provides an overview of the methodology employed by Team PwC in Stage II of the CARES study. The detailed Stage II Study Methodology is included in Appendix B of the report. In Stage II, Team PwC and Pruitt Group conducted a more detailed assessment of the BPOs selected by the Secretary for further study. Team PwC and Pruitt Group collected additional data on a set of evaluation criteria and conducted additional capital planning, re-use, and financial analysis for each BPO. The results are used to assess each BPO and to evaluate the relative strengths and weaknesses of each BPO.

The Stage II study process consists of four primary steps, Data Collection, Assessment, Evaluation, and Stage II Results, as depicted in Figure 1.

Figure 1: A diagram of the overview of Stage II Methodology



The Data Collection process was used to augment study data gathered in Stage I. This data provided the inputs to the BPO assessment. Parallel to the data gathering activities, Team PwC solicited input from stakeholders on their comments and concerns for each BPO. The Assessment step involved conducting more detailed analyses of the short-listed BPOs across each evaluation category.

During the Evaluation step the BPOs were compared against the Baseline option using five categories of evaluation criteria:

- Capital Planning
- Use of VA Resources
- Ability to Support Other VA Programs
- Re-Use
- Ease of Implementation

The following table lists the criteria used to measure each evaluation criteria together with the indicators.

Table 4: Stage II Evaluation Criteria and Indicators

Evaluation Criteria	Indicator
Capital Planning	
Timeliness of completion	Total duration (Years to complete)
Timeliness of urgent corrections	Duration (Years to correct code deficiencies, focusing on seismic deficiencies as identified in the CAI)
Consolidation of underutilized space	% Underutilized space
Consolidation of vacant space	% Vacant space
Re-use	
Market potential for re-use	Market potential for re-use
Financial feasibility	Financial feasibility
VA mission enhancement	VA mission enhancement
Execution risk	Execution risk
Use of VA Resources	
Total operating costs	Total operating costs ($)
Total capital investment costs	Total capital investment costs ($)
Net present cost	Net present cost ($)
Total considerations	Total considerations (re-use revenues, in-kind, etc.) ($)
Total annual savings	Total annual savings ($)
Ease of Implementation	
Re-use considerations	Community support
	Legal / regulatory
Capital planning considerations	Size and complexity of capital plan
	Number and frequency of patient moves (quantity of clinical buildings altered)
	Number of historic buildings altered (total historic buildings altered)
Ability to Support Other VA Programs	
DoD sharing	MOUs impacted by BPO
One VA integration	VBA and NCA impacted by BPO
Specialized VA programs	Specialized Care/COE impacted by BPO
Enhancement of services to veterans	Services in kind

Team PwC and Pruitt Group site teams conducted a preliminary evaluation of each BPO. To obtain greater input into the tradeoff evaluation of the options, Team PwC convened an independent review panel (IRP) to provide an in-process review of the Stage II analysis, including a review of the strengths and weaknesses that were identified for each business plan option. The IRP challenged and validated the assessment findings and evaluation of each BPO. The BPOs were evaluated against the evaluation criteria using a quantitative scale in order to

discriminate between the BPOs. The evaluation results were used by site teams to discuss the relative strengths and weaknesses of each BPO.

Implementation plans will be developed for all Stage II BPOs. The purpose of each plan will be to provide a roadmap for the local site teams for implementing the BPO, noting critical transition and implementation activities. The plan will highlight key milestones associated with implementation functions such as budgeting and funding, procurement, contracting for care, construction, human resource transition, as well as building activation and occupancy. The plan will help to appropriately sequence the implementation activities accounting for dependencies among the various functions.

This report contains the evaluation results for each BPO and a tradeoff discussion of the strengths and weaknesses of each BPO. The Stage II results will be presented to the Secretary to make a final decision on a set of capital and re-use proposals.

4.0 Capital Planning Analysis

Current State

Size

The existing campus is approximately 129 contiguous acres and has 51 buildings arranged primarily around an enclosed courtyard. The total area of buildings is approximately 705,000 square feet.

Age

Construction of the oldest buildings on the campus dates from the early 1930s with a series of additional construction projects and significant renovations thereafter.

Construction type

The majority of existing buildings are multi-story brick structures. At-grade corridors connect the administrative and support buildings with the clinical buildings that surround the courtyard. The main administrative building, Building 1, as well as buildings 2 (support) and 4 (auditorium) provide a positive public image for the campus from Leestown Road and are considered a landmark in the community.

Original Use

The campus was originally intended as a full service campus with a wide spectrum of clinical and non-clinical functions. As the campus has evolved, diagnostic and treatment services have generally migrated to the nearby Cooper Drive acute medical care facility. The original arrangement of buildings on the campus was in four clusters: 1) Administrative and support functions are located near the center of the campus facing Leestown road to the north with a service corridor connecting; 2) Buildings presently or formerly providing clinical and long-term care functions surrounding the courtyard; 3) Engineering and logistical buildings are located to the rear (southern) portion of the site and; 4) A collection of residential buildings (currently vacant) clustered on a hill in a remote portion of the site to the east.

Current Configuration, use and capacity

The current campus maintains the intent of the original plan providing nursing home care, inpatient mental health and outpatient care services as well as engineering and food service functions for both the Leestown and Cooper Drive Divisions.

Future Use

The Secretary's decisions call for maintaining existing functions on the campus in state of the art inpatient and outpatient facilities. While all buildings on campus are well maintained, the useful life of these buildings for providing clinical services has been exceeded. Relatively low floor-to-floor heights, narrow and inflexible floor plates, narrow buildings, and aging

mechanical/electrical systems severely restrict the possibility of renovating these buildings to achieve the modern, safe, and secure definitions as defined in this study.

The future design of nursing home and domiciliary has multiple benefits to patients. These include individual private bedrooms and bathrooms (see Figure 2), plan configurations with groupings of "residential neighborhoods" rather than "long corridors of rooms", increased area for support facilities for supplies and equipment, comfortable and attractive social meeting and activity areas (see Figure 3), convenient physical access to amenities and custom variations of plans to accommodate special needs.

Figure 2: A Diagram of the Sample Private Bedroom/bathroom Floor Plan[1]

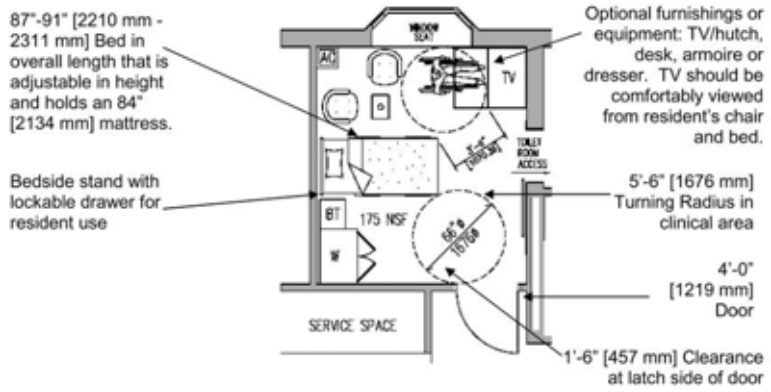
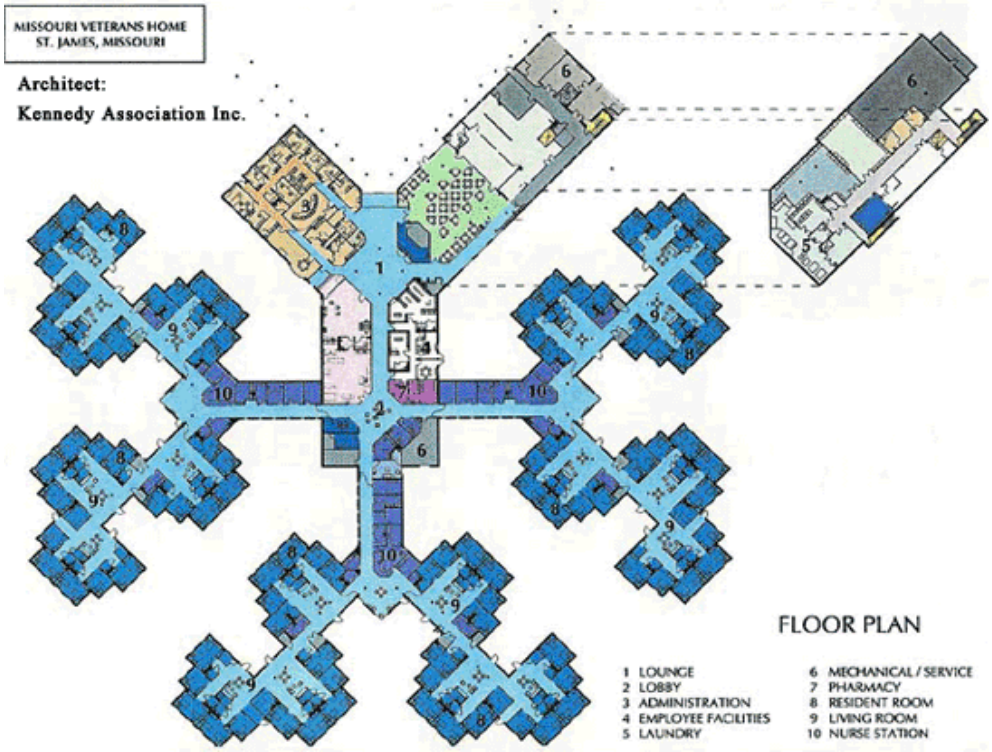


Figure 3: A Diagram of a Sample Cluster Grouping of "Residential Neighborhood" Floor Plan[2]



[2] Source: Department of Veterans Affairs, Office of Facilities Management, 2006 Nursing Home Design Guide

Facility Condition Assessment

VA's Capital Asset Inventory (CAI) database provides an assessment of many buildings on the site. This evaluation data for existing conditions at the time of the survey was provided for use in this project. There were 5 components of the functional evaluation: Layout, Adjacencies, Code Compliance, Accessibility and Privacy. Evaluations for each component were performed by floor on a 1-5 basis, with 5 being the optimum score and graduations in tenths, as determined by the evaluation team. Assessment data as provided by the VA was compiled and averaged for each building as a measure to evaluate the complexity of renovation required for a particular building. A building "de-optimization value" is then assigned to the building based on the average score as identified in the De-Optimization Table in the approved assumptions. From this measure, seven buildings score less than 3.0 and are identified as not favorable for renovation for healthcare service functions. Another ten buildings score between 3.1 - 4.0 and are designated as not favorable for renovation to a *clinical* occupancy. Three of these (buildings 1, 16 and 29) have a significant impact on the Baseline and BPO 6.

Data on Size and Dates of Construction and Renovation

Table 5 shows date of construction, renovation, number of floors, and total gross area (gross square feet or GSF) of each building on the site as exported from the CAI database:

Table 5: Existing Buildings[3]

Building Number	Building Name/Function	Year Built	Year Renovated	Historic (H) or Historically Eligible (E)	Total Floors	Building Total GSF
1	Clinical, Outpatient, Admin.	1930		H	5	76,018
2	Canteen/Vacant	1931		H	3	37,409
3	Kitchen, Pharmacy, Warehouse	1931	1989	H	3	47,008
4	Education	1932		H	2	12,314
5	Administration, Reference Lab	1931		H	3	24,003
6	Duplex Quarters-leased office space	1930		H	3	7,558
7	Duplex Quarters-leased office space	1930		H	3	7,558
8	Vacant Quarters-leased office space	1933		H	4	5,121
9	Sewage Pump House	1931		E		467
12	Warehouse	1931	1982	H	1	9,333
15	Flag Pole (Leestown Division)					
16	Nursing Home Care	1937	1995	H	3	70,976
17	SAC/Admin	1937		H	3	66,478
20	Vacant Storage	1936		E	1	2,553
22	VRT Clinic (CWT)	1948		E	2	8,519
23	Vacant 12-Car Garage	1959			1	2,811
24	Vacant 4-Car Garage	1933		E	1	901
25	NP Infirmary	1942		H	3	53,368

[3] Total building count is based on assignment of clinical spaces as identified in the CAI. Buildings with active patient care total 7 (Buildings 1,2,3,16,17,29 and 27 presently planned for renovation). The other clinical buildings included in the count are used infrequently.

Building Number	Building Name/Function	Year Built	Year Renovated	Historic (H) or Historically Eligible (E)	Total Floors	Building Total GSF
27	Nursing Home Care	1948	1996	H	3	50,859
28	Intermediate Care	1948		H	3	78,375
29	Psychiatric Nursing	1948		H	3	80,577
32	Recreational Storage, Pt. Bathroom	1956		E	1	232
33	Single Garage	1955		E	1	329
37	Vocational Rehab. Therapy	1948		E	1	6,464
38	Sewage Pumping Station	1948		E	0	796
39	Boiler Plant	1951		E		8,304
41	Engineering Lock Shop	1951		E	1	985
45	Pump House	1951		E		1,049
46	Greenhouse	1954		E	1	2,873
47	Engineering Shops	1954		E	1	5,079
48	Grounds/Transportation	1957			1	1,283
49	CCTV Equipment	1960				57
52	Mechanical	1963			0	96
67	Chiller Plant	1977				4,298
68	Switching Station	1977				754
69	Generator/Switchgear	1977				640
71	Emergency Generator	1977				192
72	Emergency Generator	1977				192
73	Emergency Generator	1977				192
74	Outdoor Recreation Shelter	1978				1,189
75	Backflow Valves	1985				120
100	VRT Horticulture, Multipurpose	1963			1	1,475
115	Shelter for Senior Citizens Park	1968			0	1,186
116	Gas Meter House	1968				144
117	Storage Warehouse	1972			1	6,247
120	Patients' Recreation Shelter	1968				1,186
122	Equipment Storage Shed	1975				1,950
125	Patient Smoking Shelter	1995				311
CC	Connecting Corridor	1948		E		9,700
T112	Furniture Repair Shop	1953		E	1	1,857
T113	Mechanical	1953		E		168
T118	VRT Storage	1972			1	3,000

Site Plan

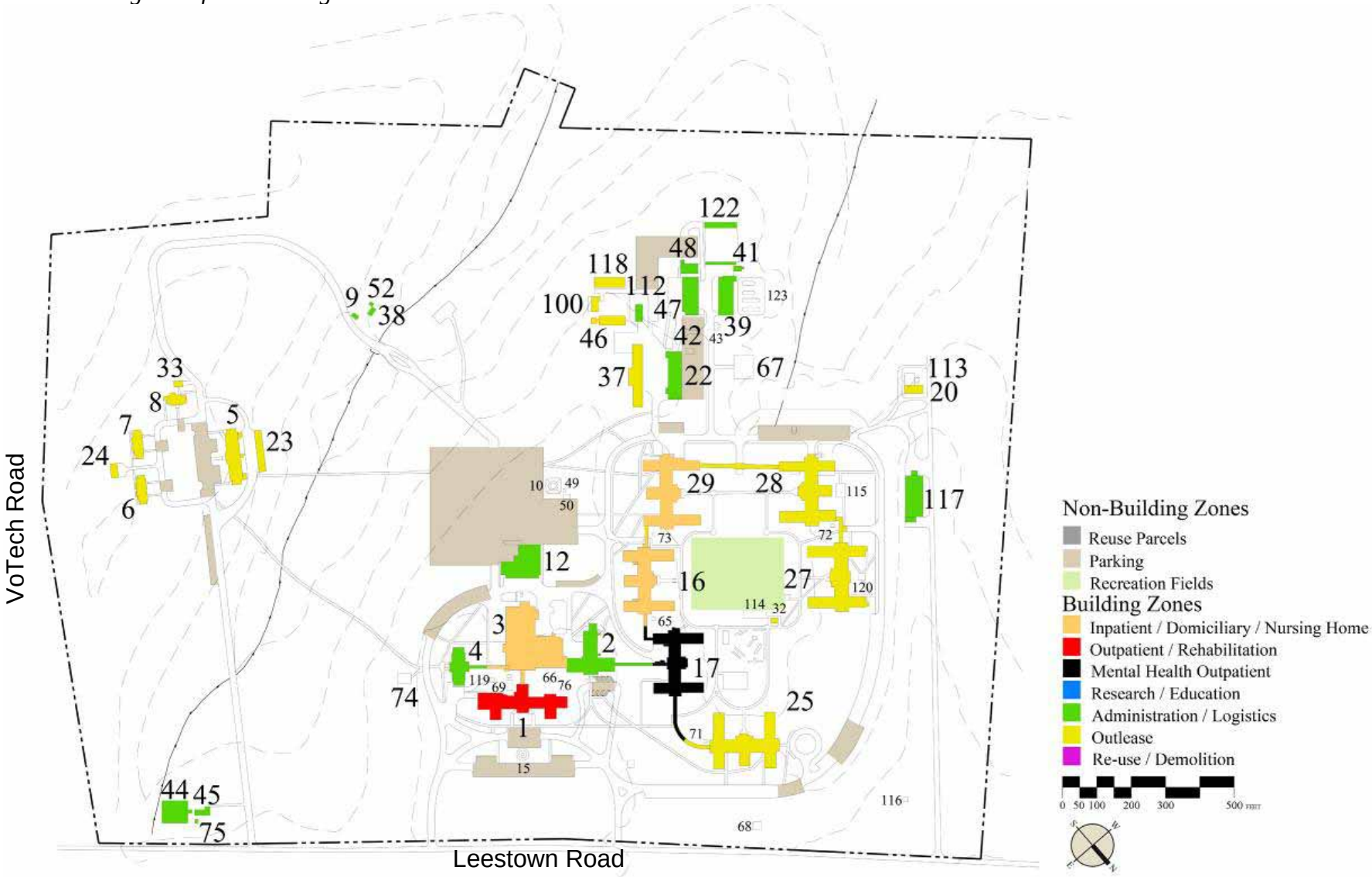
The current site plan (Figure 4) shows the present campus configuration and locations of buildings. The building color indicates the departmental group (zone) of the primary occupants of each building based on descriptions provided in the CAI per and as assigned to departmental groups (Building Zones) from the "Department to Zones Table" in the assumptions and as indicated by the color key.

- Functional Distribution on the Site: Of the occupied buildings, outpatient services and administration are located to the "front" of the campus in Buildings 1 and 2 with primary support (Buildings 3 & 12) centralized to serve administration and the clinical buildings surrounding the courtyard. As of the writing of this report, plans call for nursing home functions (in Building 16) to relocate to renovated space in 27. Renovations to portions of Building 28 are also projected to allow for logistical and food service to Building 27. Following relocation of the nursing home, Building 16 will be renovated to serve primary care functions. Building 29 is indicated as "Outlease"[4] based on the contractual relationship of the primary tenant. The building serves behavioral health patients and is generally recognized as a behavioral health building by patients and staff. Building 46 is indicated in the CAI as supporting outpatient functions. However, it is currently vacant (marked as outlease) since these functions were discontinued several years prior to this study. Building 74 is an unenclosed pavilion heavily utilized for a variety of activities by the patients and not marked with a color. While there is no specific functional requirement assigned to this structure, maintenance will be minimal and it is recommended that for BPO 1 and BPO 6 it be retained.

- Topography: The topography is undulating grasslands with several scattered mature trees. There are two shallow water streams penetrating the site from the south. While not located within the flood plain, it is reported that both overflow their banks periodically.

[4] The majority of the area in Building 29 is outlease space; however Building 29 in the existing current state site plan (Figure 4) was colored as "Inpatient/ Domiciliary/ Nursing Home" to clearly reflect those programs offered in this building.

Figure 4: A Diagram of the Existing Current State Site Plan



- Landscaping: Vehicular circulation is by a network of paved roads with numerous curves that follow the contours of the site and clusters of mature trees. Four original gates access the property from Leestown Road. The property is enclosed by a metal fence with four gates. Only Gates 2 and 3 are active. There is a traffic signal on Leestown Road at Gate 3. Gates 1 and 4 are not utilized. Pedestrian circulation paths traverse the site at various locations. Subgrade utilities are generally located in proximity to the vehicular circulation paths. These utilities will require considerable maintenance updates in the near future. Based on the proposed configurations and phasing for the BPOs, consideration should be given in the design phase to optimize the locations and extent of relocations that best serve the BPO intent and minimize conflicts with re-use buildings of land parcels. Similarly, where utilities may not be relocated without undue hardship, agreements with re-use occupants should be included in the negotiations. As an example, the water lift station located in the northwest portion of the property must be maintained for unrestricted VA use even where it is identified within a re-use parcel. This will not impact any of the BPOs.

- Historic Buildings: There are 15 existing buildings designated in the CAI as historic structures. In addition to these 15 buildings, several other buildings are of an age and character to be considered as eligible for historic significance and should be considered during implementation of the selected campus plan. Besides these 15, there are additional buildings on the campus that were built over 50 years ago, and though most are not considered structurally or historically significant, they are eligible for historic designation due to their age. Eligible buildings may require a ten-year process for approval to demolish or substantially alter their structural character. Of the eligible historic buildings, most are designated for re-use or demolition.

- Re-use of Historic Buildings: The cluster of residential buildings on the eastern portion of the campus contains 4 historic buildings. None of the BPOs under consideration call for occupancy of this residential cluster. Two BPOs propose re-use of select historic buildings elsewhere on the campus. Both BPO 1 & BPO 6, propose renovation of Building 1 for administrative functions and renovation to Building 3 for support functions.

- Vacant Space: There is considerable vacant space totaling over 300,000 BGSF (45% of the total BGSF) in all or portions of 22 buildings on the campus. The residential cluster of buildings to the east is 100% vacant. Building 25 is primarily vacant with the upper level occupied by an outlease tenant. Buildings 27 and 28 have been vacant for several years and are in poor condition.

CAI Scores and optimal use of the buildings

- Existing average building scores: According to VA's Capital Asset Inventory (CAI) database, the average condition assessment scores of existing buildings are 3.0 (per the evaluation scoring as described above). In general the lower the average building score, the greater the amount of area required for renovation. Floor plates that are too narrow and floor to floor heights that are too compressed demand more area to achieve the

desired outcomes. Moreover, as the average score reduces, the likelihood of achieving the modern, safe and secure environment is diminished.

- Low scores require more space: The majority of buildings that are proposed for renovation will require a high level of renovation to achieve the modern, safe and secure status as defined for this project. The extent of proposed renovation for an existing building is based on the average condition assessment scores and other factors as described in the Stage II Assumptions. As a result, new construction will be more likely to achieve optimal projected areas because the floor width, structural enclosure, engineering systems and egress paths may be designed to the present standard of care rather than to a previous delivery model (that required less area). Clinical areas have the greatest demands for control of the environment, therefore, new construction or existing buildings with scores greater than 4.0 are recommended for these types of spaces. Administrative and support functions are a less demanding environment and as such existing buildings with average scores greater than 3.0 are targeted for these functions.

- Scores address life safety, ADA and basic functional relationships: Several upgrades to existing buildings are required to comply with current VA standards and applicable building codes. This is due to the fact that the rating does not address all aspects of modern care delivery practice such as modifications to accommodate single bed rooms, private bathrooms accessible from within a patient room and other quality of health care environment issues.

- Specific additional issues at Lexington: On this campus, the age of most existing buildings, structural bay size, small and narrow floor plates, low floor to floor heights, lack of single bedrooms, require more area for renovation of projected functions than the same functions in a new facility where these conditions can be designed to meet current standards of care.

- Asbestos: All buildings containing asbestos and will require abatement and disposal during major renovations. Where buildings containing hazardous materials are identified for demolition, similar appropriate abatement and disposal practices are required. A detailed Asbestos Inspection Report and Management Plan (prepared in 1992) for this campus was provided by the VA and is currently being managed. The scope of the study was a campus-wide evaluation and identified the quantity of asbestos containing materials (ACM) present by building, including an estimate of the correction costs. ACM types and quantities vary by building, but the 11 buildings identified in the report to contain ACM are 1, 2, 3, 4, 5, 16, 17, 25, 27, 28 and 29. Where these building are projected for renovation or demolition, costs are included for correction.

- Seismic: There are 16 buildings identified as having seismic non-exempt status. Where these buildings are identified for renovation, seismic deficiencies that require correction are included as part of the high renovation factor and associated construction duration to correct. Seismic corrections are incorporated into the renovations and will not additionally impact patient disruption.

- Complexity of Renovations: Renovations of the existing buildings will be complex due to the extent of upgrades required and the age of the buildings. It will be faster and less disruptive if an entire building can be renovated at once. It may not be possible for the all support areas of Building 3, behavioral health (Buildings 29 & 17) and administration (Building 1) areas to be maintained in their present locations during renovations. Detailed phasing plans are beyond the scope for this study. However, every effort has been made to in the proposed implementation to reduce disruption to patient and staff functions where possible.

Projected space requirements

- Space requirements are derived from projected workload: The workload values projected to 2023 form the basis of the projected space requirements. The Projected Departmental Area Need in Departmental Gross Square Feet (DGSF) indicates existing departmental area, projected workload volumes and associated projected area need for the campus. (Factors used in generating the projected area need are indicated in the Stage II Assumptions). The projections identify the need for a total of 59 nursing home beds and 30 domiciliary beds in addition to outpatient behavioral health and ambulatory care functions. The projected area need for Engineering has been increased above the projected workload need (to 13,260 DGSF) to provide for functions serving the Cooper Drive Division. Similarly, Food Service has been increased (to 10,400 DGSF).

BPO 1 - Baseline

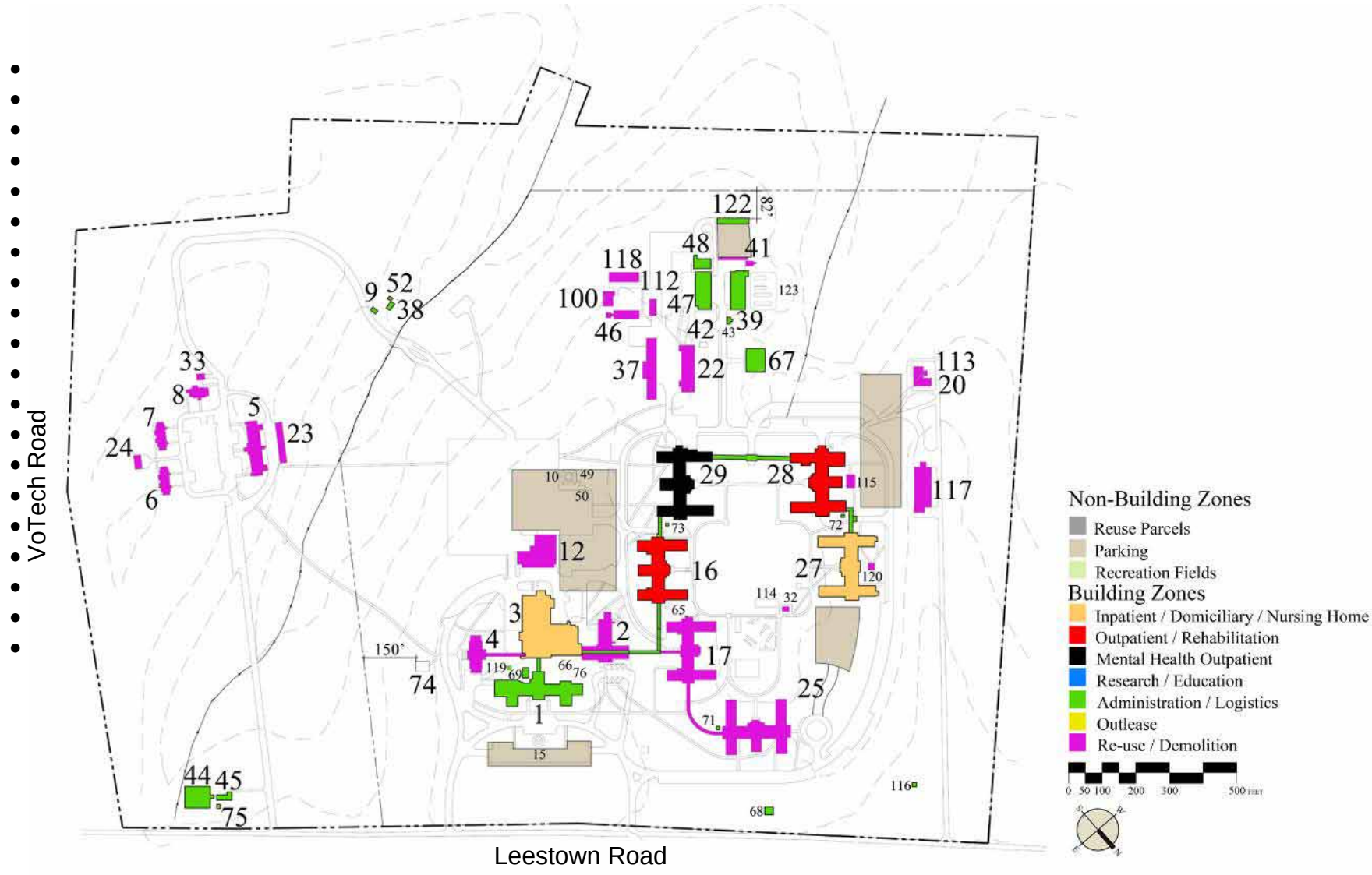
The Baseline is the current state projected out to 2013 and 2023 without any changes to programs except as indicated in the Secretary's Decision. Renovation and maintenance of existing buildings for a modern, safe, and secure healthcare environment are addressed, where conditions allow. The key constraints for modernization at Lexington are narrow floor plates and shallow floor-to-floor heights. Buildings 16 and 28 would be renovated to accommodate outpatient workload. Outpatient workload currently delivered in Building 1 would be relocated to Buildings 16 and 28. The nursing home would be relocated from Building 16 to renovated space in Building 27 (This relocation is presently in progress). Both the nursing home (Building 27) and mental health residential facilities (Building 29) would be renovated. New surface parking around these buildings would be constructed to accommodate the increased number of patients.

Note:
As buildings and land become vacant over the forecast period, the study will assess the re-use potential of Parcel 1as well as of vacant buildings.

Analysis of Capital Planning Outputs

- Site Plan: The Projected BPO 1 (Baseline) Site Plan (Figure 5) illustrates the proposed campus configuration and locations of buildings.

Figure 5: A Diagram of the Projected BPO 1(Baseline) Site Plan



- Building Color Code: Similar to the Existing Current Stage Site Plan, the building color indicates the Departmental Group (Zone) of the primary occupants for each building. Matching the building color key used for the Existing Current State Site Plan, the proposed building color indicates the predominant occupancy of the building. Refer to the Legend regarding the Departmental Group (Zone) contained therein.

- Site Impact during Construction: Site area calculations for cost estimating purposes are identified in Table 2. New surface parking and repaving of existing parking areas demand the greatest area and associated costs. Maintenance of the existing recreation fields is assumed.

- Campus Area and Uses: The BPO 1 (Baseline) campus configuration as indicated on the site plan is summarized in Table 6. There is no dedicated exterior recreation area defined. However, there is ample land available for recreational activities. The area totals for primary activities on the portions of the site to be retained exclusively for VA-related functions are indicated in the Campus Area Total below.

Table 6: Campus Area Total Acreage - BPO 1

Campus Area	Acres
Recreation	0
Parking	~ 4
Building & Landscape	~ 125
BPO Total (total of above)	~ 129
Existing Campus Total	~ 129

- Land Parcels Available for Re-Use: BPO 1 (Baseline) assumptions do not allow land parcels to be designated for re-use. Alternative BPO 1 (Baseline) addresses potential re-use.

- Buildings Available for Re-Use: The Baseline does not identify specific buildings for re-use. Where buildings are not required to accommodate the projected area need, they are marked for re-use or demolition and may be considered for re-use prior to the targeted demolition date. In the Alternate BPO 1 (Baseline), the buildings that offer the greatest re-use potential based on size are those in the residential cluster (historic buildings 5, 6, 7 & 9) and their associated garage structures. Other buildings within the VA property that have substantial area and that are located on the fringe of clinical operations are historic buildings 12 & 25.

- Relocation of Functions: In BPO 1 (Baseline), maintaining occupancy through renovation of existing buildings and reducing vacant space therein is achieved to the extent possible. The location of clinical functions remains consistent with the original campus plan as functions surround the southern portion of the courtyard. Nursing home functions are located in Building 27 in accord with plans presently underway to renovate the building for this purpose. Outpatient functions are split between buildings 16 and 28 since neither building would have sufficient area after renovation to accommodate all

outpatient functions required and maintain service pathways through it to serve the other clinical buildings. The present outpatient clinic in Building 1 will be relocated to Building 16 and increased to accommodate that building's portion of the outpatient workload. Building 28 will also be renovated to serve the increased workload obtained from the Cooper Drive campus. Significant additions to parking will be provided in proximity to Buildings 16 & 28 to accommodate the increased vehicular requirements of the outpatient setting. Based on the projected area need from workload volumes and the elimination of out leased or vacant space on the campus, special consideration has been given to currently contracted services behavioral health and domiciliary services that may be accommodated as part of renovated space in Building 29. The color for Building 29 as indicated in the site plan reflects these functions will be provided in this building. Renovations to Buildings 1 and 3 will accommodate administrative and support functions, including those relocated from Building 2 to consolidate similar functions in the fewest buildings as possible. While no projected area is assigned to Buildings 2 and 4, consideration should be given to retaining these buildings for their positive community identity and re-use potential. The only new construction projected for this BPO will be approximately 1,000 BGSF of on-grade corridor to reconnect all primary buildings if it is determined that there is no re-use potential for Building 2 and that it should be demolished. Phasing of demolition and construction of the corridor will result in some disruption to support services (primarily food service) and require alternate delivery methods during construction. For example vehicular delivery of food carts may be an acceptable solution. Table 7, below, indicated the projected area need as assigned to each building on the campus. Departmental Group area totals are provided for each building.

Table 7: Functional Distribution - BPO 1 (Baseline)

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
1	Clinical, Outpatient, Admin.		0	11,088
1	Clinical, Outpatient, Admin.	Acute Care	3,419	0
1	Clinical, Outpatient, Admin.	Administration	11,932	41,189
1	Clinical, Outpatient, Admin.	Ambulatory Services	38,724	0
1	Clinical, Outpatient, Admin.	Behavioral Health	3,345	0
1	Clinical, Outpatient, Admin.	Domiciliary	1,545	0
1	Clinical, Outpatient, Admin.	Logistics	7,017	23,708
1	Clinical, Outpatient, Admin.	Nursing Home	1,545	0
1	Clinical, Outpatient, Admin.	Out Lease	8,484	0
1	Clinical, Outpatient, Admin.	Research	0	33
2	Canteen/Vacant		0	37,408
2	Canteen/Vacant	Acute Care	368	0
2	Canteen/Vacant	Administration	11,239	0
2	Canteen/Vacant	Ambulatory Services	8,394	0
2	Canteen/Vacant	Behavioral Health	368	0
2	Canteen/Vacant	Domiciliary	368	0
2	Canteen/Vacant	Logistics	11,263	0
2	Canteen/Vacant	Nursing Home	368	0
2	Canteen/Vacant	Out Lease	5,043	0
3	Kitchen, Pharmacy, Warehouse	Acute Care	18,733	40,264

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
3	Kitchen, Pharmacy, Warehouse	Administration	4,894	0
3	Kitchen, Pharmacy, Warehouse	Ambulatory Services	1,865	0
3	Kitchen, Pharmacy, Warehouse	Behavioral Health	807	0
3	Kitchen, Pharmacy, Warehouse	Domiciliary	807	0
3	Kitchen, Pharmacy, Warehouse	Logistics	9,472	6,745
3	Kitchen, Pharmacy, Warehouse	Nursing Home	5,024	0
3	Kitchen, Pharmacy, Warehouse	Out Lease	5,405	0
4	Education		0	12,314
4	Education	Acute Care	218	0
4	Education	Administration	9,699	0
4	Education	Ambulatory Services	218	0
4	Education	Behavioral Health	218	0
4	Education	Domiciliary	218	0
4	Education	Logistics	1,088	0
4	Education	Nursing Home	218	0
4	Education	Out Lease	440	0
5	Administration, Reference Lab		0	24,003
5	Administration, Reference Lab	Acute Care	69	0
5	Administration, Reference Lab	Ambulatory Services	69	0
5	Administration, Reference Lab	Behavioral Health	69	0
5	Administration, Reference Lab	Domiciliary	69	0
5	Administration, Reference Lab	Logistics	343	0
5	Administration, Reference Lab	Nursing Home	69	0
5	Administration, Reference Lab	Out Lease	23,317	0
6	Duplex Quarters-leased office space		0	7,558
6	Duplex Quarters-leased office space	Out Lease	7,558	0
7	Duplex Quarters-leased office space		0	7,558
7	Duplex Quarters-leased office space	Out Lease	7,558	0
8	Vacant Quarters-leased office space		0	5,120
8	Vacant Quarters-leased office space	Out Lease	5,121	0
9	Sewage Pump House	Logistics	0	467
12	Warehouse		0	9,332
12	Warehouse	Acute Care	15	0
12	Warehouse	Ambulatory Services	15	0
12	Warehouse	Behavioral Health	15	0
12	Warehouse	Domiciliary	15	0
12	Warehouse	Logistics	9,259	0
12	Warehouse	Nursing Home	15	0
16	Nursing Home Care		0	23,591
16	Nursing Home Care	Acute Care	2,622	0
16	Nursing Home Care	Administration	1,109	0
16	Nursing Home Care	Ambulatory Services	9,674	45,179
16	Nursing Home Care	Behavioral Health	688	0
16	Nursing Home Care	Domiciliary	688	0
16	Nursing Home Care	Logistics	5,339	2,206
16	Nursing Home Care	Nursing Home	43,269	0

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
16	Nursing Home Care	Out Lease	7,519	0
16	Nursing Home Care	Research	70	0
17	SAC/Admin		0	66,479
17	SAC/Admin	Acute Care	4,362	0
17	SAC/Admin	Administration	4,621	0
17	SAC/Admin	Ambulatory Services	4,742	0
17	SAC/Admin	Behavioral Health	35,911	0
17	SAC/Admin	Domiciliary	1,588	0
17	SAC/Admin	Logistics	9,441	0
17	SAC/Admin	Nursing Home	1,588	0
17	SAC/Admin	Out Lease	4,221	0
20	Vacant Storage		0	2,553
20	Vacant Storage	Out Lease	2,553	0
22	VRT Clinic (CWT)		0	8,519
22	VRT Clinic (CWT)	Acute Care	171	0
22	VRT Clinic (CWT)	Administration	171	0
22	VRT Clinic (CWT)	Ambulatory Services	171	0
22	VRT Clinic (CWT)	Behavioral Health	171	0
22	VRT Clinic (CWT)	Domiciliary	171	0
22	VRT Clinic (CWT)	Logistics	7,153	0
22	VRT Clinic (CWT)	Nursing Home	171	0
22	VRT Clinic (CWT)	Out Lease	171	0
22	VRT Clinic (CWT)	Research	171	0
23	Vacant 12-Car Garage		0	2,812
23	Vacant 12-Car Garage	Out Lease	2,811	0
24	Vacant 4-Car Garage		0	901
24	Vacant 4-Car Garage	Out Lease	901	0
25	NP Infirmary		0	53,368
25	NP Infirmary	Administration	5,960	0
25	NP Infirmary	Ambulatory Services	5,960	0
25	NP Infirmary	Out Lease	41,446	0
27	Nursing Home Care		0	3,855
27	Nursing Home Care	Logistics	0	1,500
27	Nursing Home Care	Nursing Home	0	45,504
27	Nursing Home Care	Out Lease	50,859	0
28	Intermediate Care		0	46,153
28	Intermediate Care	Ambulatory Services	0	30,722
28	Intermediate Care	Logistics	0	1,500
28	Intermediate Care	Out Lease	78,375	0
29	Psychiatric Nursing		0	31,497
29	Psychiatric Nursing	Acute Care	724	0
29	Psychiatric Nursing	Administration	10,874	0
29	Psychiatric Nursing	Ambulatory Services	15,631	0
29	Psychiatric Nursing	Behavioral Health	724	22,696
29	Psychiatric Nursing	Domiciliary	724	24,178
29	Psychiatric Nursing	Logistics	12,387	2,206

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
29	Psychiatric Nursing	Nursing Home	724	0
29	Psychiatric Nursing	Out Lease	38,628	0
29	Psychiatric Nursing	Research	163	0
32	Recreational Storage, Pt. Bathroom		0	232
32	Recreational Storage, Pt. Bathroom	Out Lease	232	0
33	Single Garage		0	329
33	Single Garage	Out Lease	329	0
37	Vocational Rehab. Therapy		0	6,464
37	Vocational Rehab. Therapy	Ambulatory Services	158	0
37	Vocational Rehab. Therapy	Logistics	2,894	0
37	Vocational Rehab. Therapy	Out Lease	3,413	0
38	Sewage Pumping Station	Logistics	0	796
39	Boiler Plant	Logistics	0	8,304
41	Engineering Lock Shop		0	984
41	Engineering Lock Shop	Logistics	985	0
45	Pump House	Logistics	0	1,049
46	Greenhouse		0	2,873
46	Greenhouse	Ambulatory Services	2,873	0
47	Engineering Shops	Logistics	5,079	5,080
48	Grounds/Transportation	Logistics	1,283	1,284
49	CCTV Equipment	Logistics	0	57
52	Mechanical	Logistics	0	96
67	Chiller Plant	Logistics	0	4,298
68	Switching Station	Logistics	0	754
69	Generator/Switchgear	Logistics	0	640
71	Emergency Generator	Logistics	0	192
72	Emergency Generator	Logistics	0	192
73	Emergency Generator	Logistics	0	192
74	Outdoor Recreation Shelter		0	1,189
75	Backflow Valves	Logistics	0	120
100	VRT Horticulture, Multipurpose		0	1,476
100	VRT Horticulture, Multipurpose	Out Lease	1,475	0
115	Shelter for Senior Citizens Park		0	1,186
116	Gas Meter House	Logistics	0	144
117	Storage Warehouse		0	6,248
117	Storage Warehouse	Logistics	6,247	0
120	Patients' Recreation Shelter		0	1,186
122	Equipment Storage Shed	Logistics	0	1,950
125	Patient Smoking Shelter	Logistics	0	311
CC	Connecting Corridor		0	9,700
T112	Furniture Repair Shop		0	1,856
T112	Furniture Repair Shop	Logistics	1,857	0
T113	Mechanical		0	168
T118	VRT Storage		0	3,000
T118	VRT Storage	Out Lease	3,000	0

Notes:
- There is no research space provided on the Leestown campus. However, area projections for this departmental group result from mathematical rounding. Where indicated, this area has been included as part of the overall building projected areas assigned to the largest departmental group within the building.
- If building group is blank it identifies unassigned space
- The plan recognizes that out leased space currently has existing relationships which will be considered in re-use planning

- Optimal Use of Existing Buildings: The existing buildings were designed more than 70 years ago and are not compatible with modern standards of design for nursing home and outpatient functions. The floor plates are too small (resulting in poor functional adjacencies); the floor to floor heights are too low (resulting in mechanical systems with insufficient air volume) and with a few exceptions, the resident rooms do not have bathrooms accessible from within the rooms. As a result, proposed renovations to achieve the projected workload will require additional area to achieve the same goal. Since BPO 1 seeks to optimize use of existing building without new construction, the area totals for this BPO are larger than those BPOs that include new construction.

- Projected Workload Volumes for 2023: The projected areas as derived from workload volumes (See Stage II Assumptions) indicate the desired functions can be accommodated in less space than is currently available on the campus even with the projected increase in outpatient workload from the Cooper Drive campus. There is an advantage for phasing of renovation to minimize disruption of campus activities.

  Parking: Portions of the existing surface parking areas will be repaved and expanded to provide parking in the most convenient locations adjacent to building entries. Where existing parking is not required, it will be removed and new landscape will be provided. Distribution of parking by departmental group is indicated in Table 8. There is sufficient land available to meet the parking need. Therefore structured parking is not required for this campus.

Table 8: Parking Distribution – BPO 1

Parking Area	Total Surface Spaces	Total Structured Spaces	Surface Area (SF)	Structured Area (SF)	Location
Acute Care	58	0	23,200	0	East of building 29
Nursing Home	53	0	21,200	0	North of building 16
Domiciliary	19	0	7,600	0	East of building 29
Rehabilitation	0	0	0	0	
Behavioral Health	18	0	7,200	0	East of Building 29
Ambulatory Services	237	0	94,800	0	East of building 16 West of building 28
Research	1	0	400	0	East of building 29
Administration	47	0	18,800	0	North of Building 1
Logistics	15	0	6,000	0	North of Building 122
Total	448	0	179,200	0	

Note: There is no research space provided on the Leestown campus. However, the projected single parking space resulting from mathematical rounding of projected areas has been included in the behavioral health parking area on the site plan.

- Conclusion from the Space Analysis: The projected area need for the campus is approximately 250,000 BGSF (not including out lease space). Because BPO 1 (Baseline) involves renovation of existing space, the space required is approximately 432,000 Building Gross Square Feet (BGSF), a reduction to the campus area of approximately 36%.

- Construction Phasing: In BPO 1 (Baseline), disruptions from renovations to existing occupied buildings will be reduced for nursing home patients based on the proposed renovations presently in progress to relocate nursing home patient to Building 27. The relocation of nursing home patients to Building 27 allows for some flexibility to phase and renovate other non-patient care areas. Similarly, the proposed renovations of nearly 31,000 BGSF in Building 28 for outpatient services will allow for clinics to easily relocate from Building 1. If possible, it would be advantageous to consider the inclusion of the approximately 45,000 BGSF of outpatient space in building 16 as design for the behavioral health components are being developed.

- Construction Schedule: Schedules for construction activities are intended to identify relative duration of new construction or renovated work in order to calculate occupancy date for utilization of space and escalation costs. These schedules provide a base on which the implementation plan activities will be incorporated. The Schedule indicates a brief description of the individual building construction projects and indicates the construction sequence and duration for this option. Commissioning of engineering systems should occur in the last 20% of each project's duration.

- Existing Building Maintenance Costs: Existing unaltered buildings retained on the campus for the Baseline require ongoing and periodic maintenance costs including buildings which are scheduled for demolition to the point where demolition begins.

- Capital Cost Estimate: An estimate of projected new construction and renovation costs is indicated in the BPO Capital Cost Estimate. The capital costs are based on campus-wide area projections by Departmental Group (Zone) as indicated in the Projected BPO areas by Departmental Group (Zone).

- Construction Cost depends on Function: Construction costs are derived from projected area requirements by Building and non-Building Departmental Groups (Zones).

- Soft Costs Standardized: Approved factors as stated in the assumptions for soft costs (such as professional fees, furnishings and equipment) are based on consultant experience and VA standards.

Evaluation of BPO 1 Baseline using Capital Criteria:

- Consolidation of Vacated Space: The vacant square footage area totals for BPO 1 (Baseline) indicate nearly a 69% decrease in vacant space across the campus (see Table 9). The approximately 200,000 SF includes that space in vacant buildings that will be demolished or made available for re-use.

Table 9: Percentage of Vacant Space – BPO 1 (Baseline)

Title	Vacant BGSF
Existing Vacant	304,036
Vacant BPO	95,562
Difference	-208,474
Percent Difference	-68.57%

- Consolidation of Underutilized Space: Underutilized space is space not used to its full potential because of physical constraints. Because there is a substantial amount of renovation required for this BPO, additional area is required to achieve a modern, safe and secure environment, resulting in an increase of underutilized space. Comparing the ideal space requirements for the workload to the square footage need for this option results in a 42% overall increase in area need (See Table 10).

Table 10: Percentage of Underutilized Space – BPO 1 (Baseline)

Title	Total
Projected Ideal BGSF Based on In-House Workload	249,761
Proposed BPO BGSF	431,525
Underutilized Space	181,764
Variance by Percentage	42%

- Timeliness of Completion: The proposed BPO 1 (Baseline) requires a nine and one half year (114 months) multi phased period of construction from initiation in January 2009 with completion to implement improvements to the physical environment starting in January 2010 and completion in July 2018 (See Table 11).

Table 11: Total Construction Duration – BPO 1(Baseline)

	Start Date	Completion Date	Duration
Total Construction Activity	1/1/2009	7/1/2018	114

- Timeliness of Urgent Seismic Corrections: The priority to increase the outpatient capacity on the Leestown campus calls for these functions to be accommodated as early as possible. The Outpatient clinics in Buildings 16 and 28 are projected for occupancy in 2016. In addition, the urgency to correct seismic deficiencies in existing buildings that will be renovated in this BPO was also factored into the proposed phasing sequence. BPO 1 (Baseline) achieves completion of renovations to all buildings that will be retained with seismic non-exempt status by 2018. Buildings with seismic deficient status that are not projected for VA occupancy will be demolished as they become eligible for demolition based on the implementation schedule.

- Size and Complexity of Capital Plan: Projected areas (BGSF) based on 2023 workload volumes indicate a changes to the Leestown campus as indicated in Table 12. Perhaps the most notable is the projected *decrease* in Ambulatory Services area. This is a result of areas in the CAI that are identified as outpatient but are unoccupied or used for other functions. The area of the existing outpatient clinic in Building 1 is 37,541 BGSF. Compared with the projected area need of 75,902 BGSF the resultant is a net *increase* for ambulatory services of 38,361 BGSF. The Nursing Home values indicate a similar condition. Behavioral Health indicates a reduction in projected area due to the contracted services presently in Building 29 (and select outbuildings) that are identified as outlease space. There is a substantial reduction in outlease space on the campus. Where programs are determined to be provided on campus through contracted services, the associated area need will be provided in buildings with area designated for potential re-use space. All resultant vacated space in existing renovated buildings is classified as Logistics space. This assignment of space results in a significant increase in area assigned to logistics in excess of the projected space need.

Table 12: Campus Area Change – BPO 1 (Baseline)

Distributions	Acute Care	Nursing Home	Domiciliary	Rehab.	Behavioral Health	Ambulatory Services	Research	Admin.	Logistics	Out Lease
Existing Distribution	30,703	52,993	6,195	0	42,318	88,498	405	60,502	91,112	298,862
Proposed BPO Distribution	40,264	45,504	24,178	0	22,696	75,902	33	41,190	181,758	0
Variance By BGSF	9,561	-7,489	17,983	0	-19,622	-12,596	-372	-19,312	90,646	-298,862

Note: There is no research space provided on the Leestown campus. However, the area indicated resulting from mathematical rounding of projected areas has been included in the behavioral health space for distribution on the campus.

- Patient Moves: Of the existing 51 buildings on the campus, in BPO 1 (Baseline), 13 buildings with clinical or clinical-related functions will be renovated to some extent (See Table 11). For the 3 primary patient buildings (1, 16, & 28), there will be limited disruption during renovations. In most instances for this BPO, renovations will take place in a separate building and relocation of patient care areas may be accomplished in an expedient manner. The exception would be Building 29 where renovations will need to be addressed by floor to facilitate various patient moves, using the current out-leased space as swing space. It is anticipated that construction phasing for renovations to Buildings 29 will be complex and that patients will be inconvenienced but care may continue in the buildings during renovations. An overview of patient moves follows. Further detail will be provided in the implementation plan.

    - Primary care services in Building 16 are moved to Building 28
    - A portion of the outpatient services in Building 1 will move to Building 28.
    - The remainder of services in Building 1 will move to Building 16

- Historic Buildings Altered: There are 15 buildings identified as historic in the CAI. For this BPO, all 15 will be renovated or demolished (See Table 13). The National Historic Preservation Act requires that a federal agency must assume responsibility for historic properties and Section 106 requires federal agencies to consider historic properties as it

plans a project and to consult with the Advisory Council on Historic Preservation. The approval process for renovation can take more than a year and will need to be considered in the implementation planning efforts.

Table 13: Historic Buildings Altered – BPO 1 (Baseline)

Title	Building Count
Total Historic or Historically Eligible	15
Altered Historic Projects	15

Alternative BPO 1 (Baseline)

Alternative BPO 1 (Baseline) is identical to BPO-1, except for consideration of Re-Use opportunities. Only specific changes to BPO-1 are presented as follows. In Alternate BPO 1 (Baseline), access for patients, staff and visitors to the VA facilities will be via the existing network of on-site paved roads.

Analysis of Capital Planning Outputs

- Site Plan: The Projected Alternative BPO-1 (Baseline) Site Plan (Figure 6) illustrates the proposed campus configuration and locations of buildings.

- Land Parcels Available for Re-Use: Alternate BPO 1 (Baseline) makes available approximately 47.9 acres, which can be designed for re-use. The campus totals (see Table 14) indicate that for Alternate BPO 1 (Baseline), 37% of the present campus is available for re-use.

Table 14: Land Parcels Available for Re-use

Re-use Parcels	Acres
Re-Use Area 1	47.9

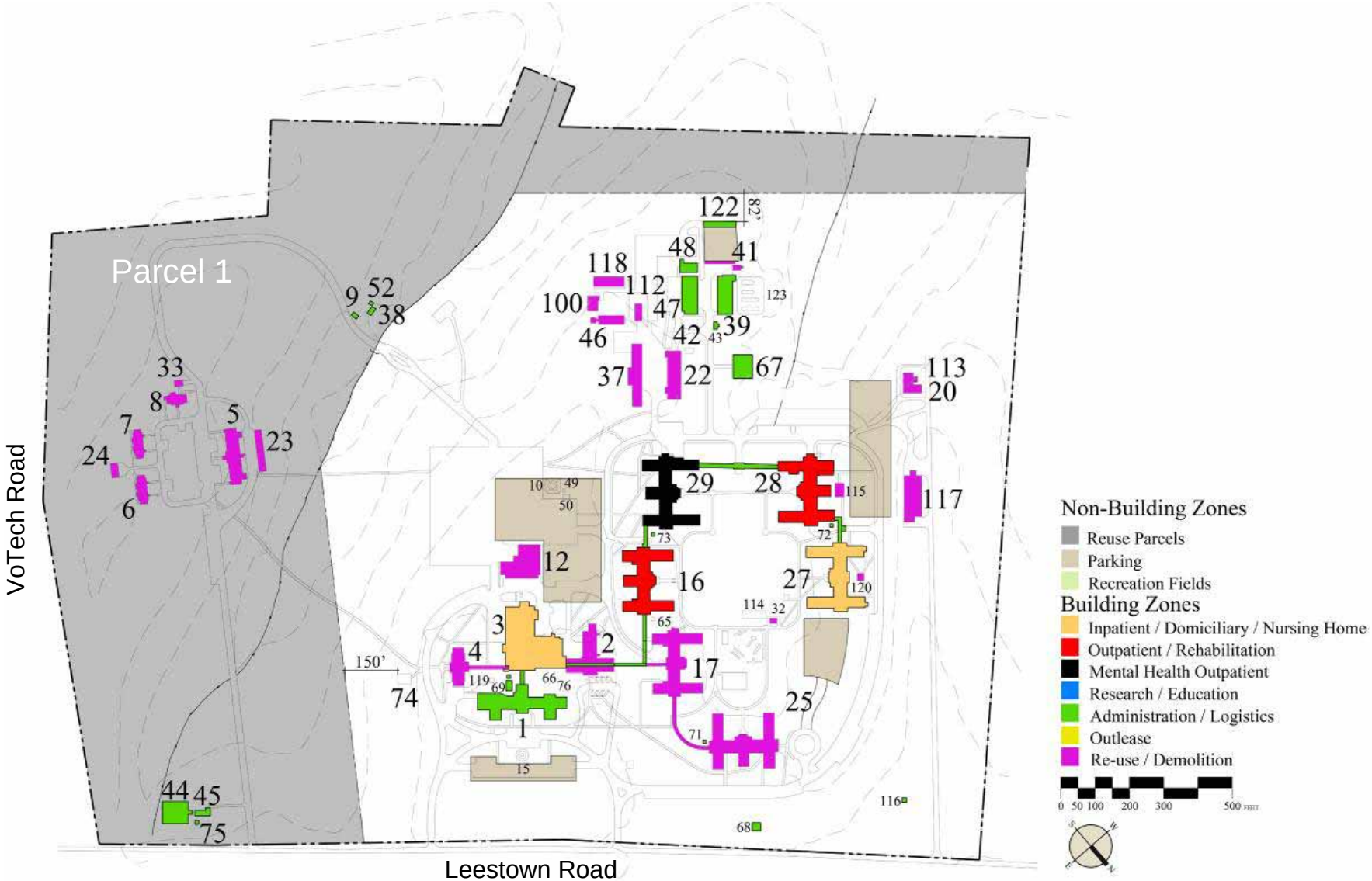
- Buildings Available for Re-Use: Buildings that are 100% vacated and identified for Re-Use/Demolition may be considered for re-use prior to the targeted demolition date.

- Campus Area and uses: The Alternate BPO 1 (Baseline) campus configuration as indicated on the site plan is summarized in Table 15. There is no dedicated exterior recreation area defined. However, there is ample land available for recreational activities. The area totals for primary activities on the portions of the site to be retained exclusively for VA-related functions are indicated in the Campus Area Total below.

Table 15: Campus Area Total Acreage - BPO 1

Campus Area	Acres
Recreation	0
Parking	~ 4
Buildings & Landscape	~ 77
BPO Total (total of above)	~ 81
Existing Campus Total	~ 129

Figure 6: A Diagram of the Projected Alternate BPO 1(Baseline) Site Plan



BPO 5 - Build New Clinical and Administrative Facilities on Southeast Portion of Campus

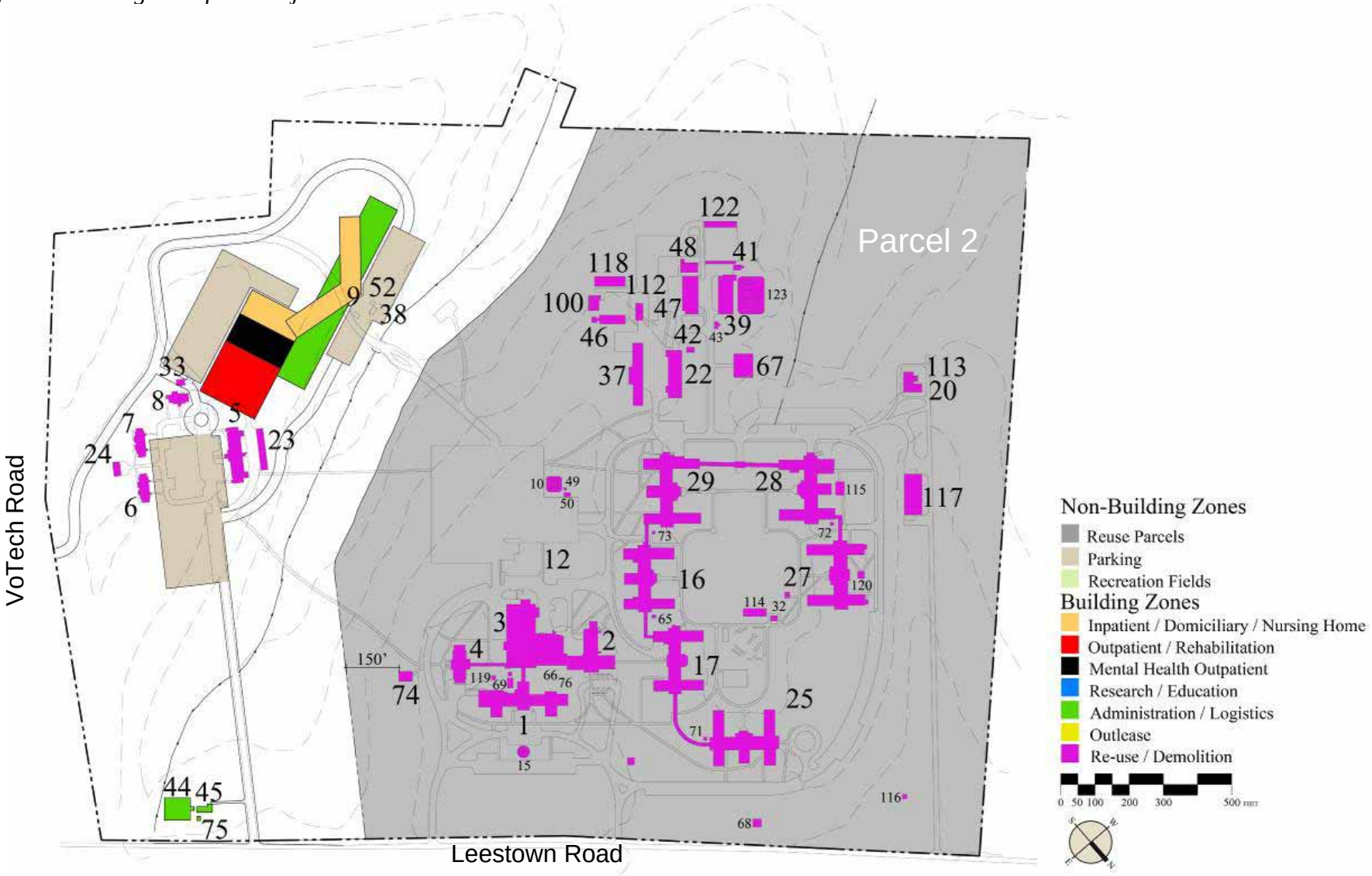
Appropriately sized multi-story facilities will be constructed to house all clinical and administrative functions and new surface parking to accommodate the increased number of patients would be constructed in the southeastern part of the campus on land which is mostly vacant. Nine smaller buildings, some of which were previously used as quarters for staff, will be demolished to accommodate the building and adjacent parking area. The main part of the campus will be completely vacated and all buildings and land will be available for re-use.

Remaining acreage identified as Parcel 2 will be available for re-use.

Analysis of Capital Planning Outputs

- Site Plan: The proposed BPO 5 Site Plan (Figure 7) illustrates the proposed campus configuration and locations of buildings.

Figure 7: A Diagram of the Projected BPO 5 Site Plan



- Relocation of Functions*:* In BPO 5 will provide for new construction to replace all projected functions on the eastern portion of the site. Construction of the new campus would be achieved in less time than renovation to existing facilities and disruption to existing patient care would be minimized. Occupancy would be phased at completion of the construction period so that services could transfer directly from the existing locations to the new locations with minimum time and effort. Projected area is based on the 2023 workloads with no vacant space. Occupancy of the new facilities is anticipated in July 2015 with buildings located on Parcel 2 available for re-use thereafter and earliest date of demolition for historic structure anticipated in January 2017. Table 16, below, indicated the projected area need as assigned to each building on the campus. Departmental Group area totals are provided for each building.

Table 16: Functional Distribution - BPO 5

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
1	Clinical, Outpatient, Admin.		0	76,018
1	Clinical, Outpatient, Admin.	Acute Care	3,419	0
1	Clinical, Outpatient, Admin.	Administration	11,932	0
1	Clinical, Outpatient, Admin.	Ambulatory Services	38,724	0
1	Clinical, Outpatient, Admin.	Behavioral Health	3,345	0
1	Clinical, Outpatient, Admin.	Domiciliary	1,545	0
1	Clinical, Outpatient, Admin.	Logistics	7,017	0
1	Clinical, Outpatient, Admin.	Nursing Home	1,545	0
1	Clinical, Outpatient, Admin.	Out Lease	8,484	0
2	Canteen/Vacant		0	37,408
2	Canteen/Vacant	Acute Care	368	0
2	Canteen/Vacant	Administration	11,239	0
2	Canteen/Vacant	Ambulatory Services	8,394	0
2	Canteen/Vacant	Behavioral Health	368	0
2	Canteen/Vacant	Domiciliary	368	0
2	Canteen/Vacant	Logistics	11,263	0
2	Canteen/Vacant	Nursing Home	368	0
2	Canteen/Vacant	Out Lease	5,043	0
3	Kitchen, Pharmacy, Warehouse		0	47,008
3	Kitchen, Pharmacy, Warehouse	Acute Care	18,733	0
3	Kitchen, Pharmacy, Warehouse	Administration	4,894	0
3	Kitchen, Pharmacy, Warehouse	Ambulatory Services	1,865	0
3	Kitchen, Pharmacy, Warehouse	Behavioral Health	807	0
3	Kitchen, Pharmacy, Warehouse	Domiciliary	807	0
3	Kitchen, Pharmacy, Warehouse	Logistics	9,472	0
3	Kitchen, Pharmacy, Warehouse	Nursing Home	5,024	0
3	Kitchen, Pharmacy, Warehouse	Out Lease	5,405	0
4	Education		0	12,314
4	Education	Acute Care	218	0
4	Education	Administration	9,699	0
4	Education	Ambulatory Services	218	0
4	Education	Behavioral Health	218	0

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
4	Education	Domiciliary	218	0
4	Education	Logistics	1,088	0
4	Education	Nursing Home	218	0
4	Education	Out Lease	440	0
5	Administration, Reference Lab		0	24,003
5	Administration, Reference Lab	Acute Care	69	0
5	Administration, Reference Lab	Ambulatory Services	69	0
5	Administration, Reference Lab	Behavioral Health	69	0
5	Administration, Reference Lab	Domiciliary	69	0
5	Administration, Reference Lab	Logistics	343	0
5	Administration, Reference Lab	Nursing Home	69	0
5	Administration, Reference Lab	Out Lease	23,317	0
6	Duplex Quarters-leased office space		0	7,558
6	Duplex Quarters-leased office space	Out Lease	7,558	0
7	Duplex Quarters-leased office space		0	7,558
7	Duplex Quarters-leased office space	Out Lease	7,558	0
8	Vacant Quarters-leased office space		0	5,120
8	Vacant Quarters-leased office space	Out Lease	5,121	0
9	Sewage Pump House		0	467
12	Warehouse		0	9,332
12	Warehouse	Acute Care	15	0
12	Warehouse	Ambulatory Services	15	0
12	Warehouse	Behavioral Health	15	0
12	Warehouse	Domiciliary	15	0
12	Warehouse	Logistics	9,259	0
12	Warehouse	Nursing Home	15	0
16	Nursing Home Care		0	70,976
16	Nursing Home Care	Acute Care	2,622	0
16	Nursing Home Care	Administration	1,109	0
16	Nursing Home Care	Ambulatory Services	9,674	0
16	Nursing Home Care	Behavioral Health	688	0
16	Nursing Home Care	Domiciliary	688	0
16	Nursing Home Care	Logistics	5,339	0
16	Nursing Home Care	Nursing Home	43,269	0
16	Nursing Home Care	Out Lease	7,519	0
16	Nursing Home Care	Research	70	0
17	SAC/Admin		0	66,479
17	SAC/Admin	Acute Care	4,362	0
17	SAC/Admin	Administration	4,621	0
17	SAC/Admin	Ambulatory Services	4,742	0
17	SAC/Admin	Behavioral Health	35,911	0
17	SAC/Admin	Domiciliary	1,588	0
17	SAC/Admin	Logistics	9,441	0
17	SAC/Admin	Nursing Home	1,588	0
17	SAC/Admin	Out Lease	4,221	0
20	Vacant Storage		0	2,553

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
20	Vacant Storage	Out Lease	2,553	0
22	VRT Clinic (CWT)		0	8,519
22	VRT Clinic (CWT)	Acute Care	171	0
22	VRT Clinic (CWT)	Administration	171	0
22	VRT Clinic (CWT)	Ambulatory Services	171	0
22	VRT Clinic (CWT)	Behavioral Health	171	0
22	VRT Clinic (CWT)	Domiciliary	171	0
22	VRT Clinic (CWT)	Logistics	7,153	0
22	VRT Clinic (CWT)	Nursing Home	171	0
22	VRT Clinic (CWT)	Out Lease	171	0
22	VRT Clinic (CWT)	Research	171	0
23	Vacant 12-Car Garage		0	2,812
23	Vacant 12-Car Garage	Out Lease	2,811	0
24	Vacant 4-Car Garage		0	901
24	Vacant 4-Car Garage	Out Lease	901	0
25	NP Infirmary		0	53,368
25	NP Infirmary	Administration	5,960	0
25	NP Infirmary	Ambulatory Services	5,960	0
25	NP Infirmary	Out Lease	41,446	0
27	Nursing Home Care		0	50,859
27	Nursing Home Care	Out Lease	50,859	0
28	Intermediate Care		0	78,375
28	Intermediate Care	Out Lease	78,375	0
29	Psychiatric Nursing		0	80,576
29	Psychiatric Nursing	Acute Care	724	0
29	Psychiatric Nursing	Administration	10,874	0
29	Psychiatric Nursing	Ambulatory Services	15,631	0
29	Psychiatric Nursing	Behavioral Health	724	0
29	Psychiatric Nursing	Domiciliary	724	0
29	Psychiatric Nursing	Logistics	12,387	0
29	Psychiatric Nursing	Nursing Home	724	0
29	Psychiatric Nursing	Out Lease	38,628	0
29	Psychiatric Nursing	Research	163	0
32	Recreational Storage, Pt. Bathroom		0	232
32	Recreational Storage, Pt. Bathroom	Out Lease	232	0
33	Single Garage		0	329
33	Single Garage	Out Lease	329	0
37	Vocational Rehab. Therapy		0	6,464
37	Vocational Rehab. Therapy	Ambulatory Services	158	0
37	Vocational Rehab. Therapy	Logistics	2,894	0
37	Vocational Rehab. Therapy	Out Lease	3,413	0
38	Sewage Pumping Station		0	796
39	Boiler Plant		0	8,304
41	Engineering Lock Shop		0	984
41	Engineering Lock Shop	Logistics	985	0
45	Pump House	Logistics	0	1,049

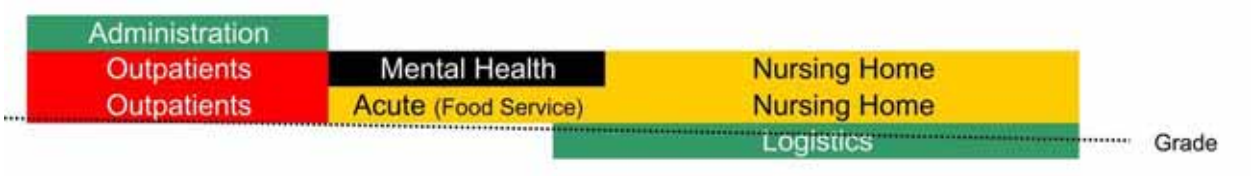
Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
46	Greenhouse		0	2,873
46	Greenhouse	Ambulatory Services	2,873	0
47	Engineering Shops		0	5,080
47	Engineering Shops	Logistics	5,079	0
48	Grounds/Transportation		0	1,284
48	Grounds/Transportation	Logistics	1,283	0
49	CCTV Equipment		0	57
52	Mechanical		0	96
67	Chiller Plant		0	4,298
68	Switching Station		0	754
69	Generator/Switchgear		0	640
71	Emergency Generator		0	192
72	Emergency Generator		0	192
73	Emergency Generator		0	192
74	Outdoor Recreation Shelter		0	1,189
75	Backflow Valves	Logistics	0	120
100	VRT Horticulture, Multipurpose		0	1,476
100	VRT Horticulture, Multipurpose	Out Lease	1,475	0
115	Shelter for Senior Citizens Park		0	1,186
116	Gas Meter House		0	144
117	Storage Warehouse		0	6,248
117	Storage Warehouse	Logistics	6,247	0
120	Patients' Recreation Shelter		0	1,186
122	Equipment Storage Shed		0	1,950
125	Patient Smoking Shelter		0	311
CC	Connecting Corridor		0	9,700
T112	Furniture Repair Shop		0	1,856
T112	Furniture Repair Shop	Logistics	1,857	0
T113	Mechanical		0	168
T118	VRT Storage		0	3,000
T118	VRT Storage	Out Lease	3,000	0
Z-10	Zone Logistics	Logistics	0	51,033
Z-2	Zone Acute Care	Acute Care	0	29,795
Z-3	Zone Nursing Home	Nursing Home	0	45,504
Z-4	Zone Domiciliary	Domiciliary	0	16,441
Z-6	Zone Behavioral Health	Behavioral Health	0	15,433
Z-7	Zone Ambulatory Services	Ambulatory Services	0	61,444
Z-8	Zone Research	Research	0	24
Z-9	Zone Administration	Administration	0	30,068

Notes:

- There is no research space provided on the Leestown campus. However, area projections for this departmental group result from mathematical rounding. Where indicated, this area has been included as part of the overall building projected areas assigned to the largest departmental group within the building.
- If building group is blank it identifies unassigned space
- The plan recognizes that out leased space currently has existing relationships which will be considered in re-use planning

Configuration is based on providing outpatient functions and it's associated parking with the most public face (from Leestown Road), service access with a dedicated entry point to the east and nursing home functions following the sloping topography of the site to maximize views and separation from high vehicular volume areas. To optimize views and relationship to the existing topography the nursing home elements are located above portions of the below-grade logistical areas (See Figure 8).

Figure 8: A Diagram of the Projected BPO 5 Conceptual Section



- Building Color Code: Similar to the Existing Current Stage Site Plan, the building color indicates the Departmental Group (Zone) of the primary occupants for each building. Matching the building color key used for the Existing Current State Site Plan, the proposed building color indicates the predominant occupancy of the building. Refer to the Legend regarding the Departmental Group (Zone) contained therein

- Site Impact during Construction: Site area calculations for cost estimating purposes are identified in Table 17. This BPO requires approximately 43 acres of landscape and 4 acres of new pavement.

- Campus Area and Uses: The BPO 5 campus configuration as indicated on the site plan is summarized in Table 17. There is no dedicated exterior recreation area defined. However, there is ample land available for recreational activities. The area totals for primary activities on the portions of the site to be retained exclusively for VA-related functions are indicated in the Campus Area Total below.

Table 17: Campus Area Total Acreage - BPO 5

Campus Area	Acres
Recreation	0
Parking	~ 4
Buildings & Landscape	~ 43
BPO Total (total of above)	~ 47
Existing Campus Total	~ 129

- Land Parcels Available for Re-Use: BPO 5 makes available approximately 82 acres (or 64% of the site) for re-use (See Table 18).

Table 18: Land Parcels Designated for Re-use – BPO 5

Re-use Parcels	Acres
Re-Use Area 2	82

- Buildings Available for Re-Use: The entire occupied campus is available for re-use in this option with the exception of the residential cluster to the east and any existing utility structures required for service to the proposed new construction. Identification of specific utilities required to be maintained or relocated to serve the new construction is beyond the scope of this study.

- Parking: All new surface parking will be provided for this BPO. Distribution of parking by departmental group is indicated in Table 19. There is sufficient land available to meet the parking need. Therefore structured parking is not required for this campus.

Table 19: Parking Distribution – BPO 5

Parking Area	Total Surface Spaces	Total Structured Spaces	Surface Area (SF)	Structured Area (SF)	Location
Acute Care	58	0	23,200	0	North of new building
Nursing Home	53	0	21,200	0	East of new building
Domiciliary	19	0	7,600	0	West of new building
Rehabilitation	0	0	0	0	
Behavioral Health	18	0	7,200	0	North of new building
Ambulatory Services	237	0	94,800	0	North of new building
Research	1	0	400	0	East of new building
Administration	47	0	18,800	0	East of new building
Logistics	15	0	6,000	0	East of new building
Total	448	0	179,200	0	

Note: There is no research space provided on the Leestown campus. However, the projected single parking space resulting from mathematical rounding of projected areas has been included in the behavioral health parking area on the site plan.

- Conclusion from the Space Analysis: BPO 5 proposes construction of the projected approximately 240,000 BGSF in a single multi-functional facility with clinical focus on Nursing Home, Behavioral Health and Ambulatory Care based on the 2023 workload projections. The existing main campus would be available for re-use following occupancy of the new campus. Buildings throughout the existing campus are identified for demolition as they become available to eliminate their ongoing maintenance and security costs. For instance, demolition of historic buildings will be initiated in 2017 (refer to assumptions documents). Non-historic building may be demolished as they become vacant or by negotiation with parties interested in their re-use.

- Construction Phasing: The entire new facility, parking and landscape work could be constructed in one phase and move-in would be a matter of days.

- Construction Schedule: Schedules for construction of the new campus provides for occupancy of the facility by 2016. Since there are existing historic buildings on the site adjacent to the proposed construction, these buildings are expected to remain in their present condition until such time as the approval process and demolition activities may be completed (approximately 12 months after occupancy of the new facility). While this is

not an optimal image for the new campus, the location of these buildings will not impede access to the facility or operations therein.

- Implementation Schedules: Implementation schedules based on the construction activities are identified elsewhere in this report. Agreements with re-use developers to maintain existing utilities as required to serve the new campus or relocation requirements will be critical to initial design and phasing schedules.

- Capital Cost Estimate: An estimate of projected new construction and renovation costs is indicated in the BPO Capital Cost Estimate. The capital costs are based on campus-wide area projections by Departmental Group (Zone) as indicated in the Projected BPO areas by Departmental Group (Zone).

- Construction Cost depends on Function: Construction costs are derived from projected area requirements by Building and non-Building Departmental Groups (Zones).

- Soft Costs Standardized: Approved factors as stated in the assumptions for soft costs (such as professional fees, furnishings and equipment) are based on consultant experience and VA standards.

Evaluation of BPO 5 using Capital Criteria

- Consolidation of Vacated Space: The area total indicates that there will be no vacant space for BPO 5 since the new facilities will be constructed to meet the utilization requirements based on the 2023 workload projections and associated area need (See Table 20).

Table 20: Percentage of Vacant Space - BPO 5

Title	Vacant BGSF
Existing Vacant	304,036
Vacant BPO	0
Difference	-304,036
Percent Difference	-100%

Consolidation of Underutilized Space: Underutilized space is space not used to its full potential because of physical constraints. Because there is a substantial amount of renovation required for this BPO, additional area is required to achieve a modern, safe and secure environment, resulting in an increase of underutilized space. Comparing the ideal space requirements for the workload to the square footage needed for this option results in no significant increase in area need (See Table 21).

Table 21: Percentage of Underutilized Space - BPO 5

Title	Total
Projected Ideal BGSF Based on In-House Workload	249,761
Proposed BPO BGSF	250,911
Underutilized Space	1,150
Variance by Percentage	0%

- Timeliness of Completion: The proposed BPO 5 requires a nine year (108 month) two phased period of construction from initiation in January 2009 with completion to implement improvements to the physical environment starting in January 2010 and completion in July 2018 (See Table 22). Occupancy of the new campus is anticipated for July of 2015. However, demolition of existing buildings and associated site work extends the total construction duration to January of 2018.

Table 22: Total Construction Duration - BPO 5

	Start Date	Completion Date	Duration
Total Construction Activity	1/1/2009	1/1/2018	108

- Size and Complexity of Capital Plan: Projected area volumes indicate that in most cases the desired services can be accommodated in less space than the existing space (see Table 23). This is due in part to the assignment of existing space to departmental groups (refer to Assumptions) but also because a new facility constructed will be designed expressly to accommodate the projected service areas and, therefore, will provide a more economical use of space than conversion of existing buildings. During the design phase of the project, consideration should be given to location of food services functions (identified in the "acute care" totals below) adjacent to or included with the nursing home functions. This proximity relationship would have minimal impact to the overall campus configuration as proposed.

Table 23: Campus Area Change - BPO 5

Distributions	Acute Care	Nursing Home	Domiciliary	Rehab.	Behavioral Health	Ambulatory Services	Research	Admin.	Logistics	Out Lease
Existing Distribution	30,703	52,993	6,195	0	42,318	88,498	405	60,502	91,112	298,862
Proposed BPO Distribution	29,795	45,504	16,441	0	15,433	61,444	24	30,068	52,202	0
Variance By BGSF	-908	-7,489	10,246	0	-26,885	-27,054	-381	-30,434	-38,910	-298,862

Note: There is no research space provided on the Leestown campus. However, the area indicated resulting from mathematical rounding of projected areas has been included in the behavioral health space for distribution on the campus.

- Patient Moves: Of the existing 51 buildings on the campus, in BPO 1 (Baseline), 13 buildings with clinical or clinical-related functions will be demolished or made available for re-use. The 2 buildings not altered are engineering systems that are located on the proposed VA parcel and will be maintained to support the new campus. All patients may be relocated from their existing locations to the new facilities in a single coordinated move. Further detail is provided in the implementation plan.

- Historic Buildings Altered: There are 15 buildings identified as historic in the CAI. For this BPO, all 15 will be renovated or demolished (See Table 24).

Table 24: Historic Buildings Altered - BPO 5

	Quantity
Total Historic or Historically Eligible	15
Altered Historic Buildings	15

BPO 6 - Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus

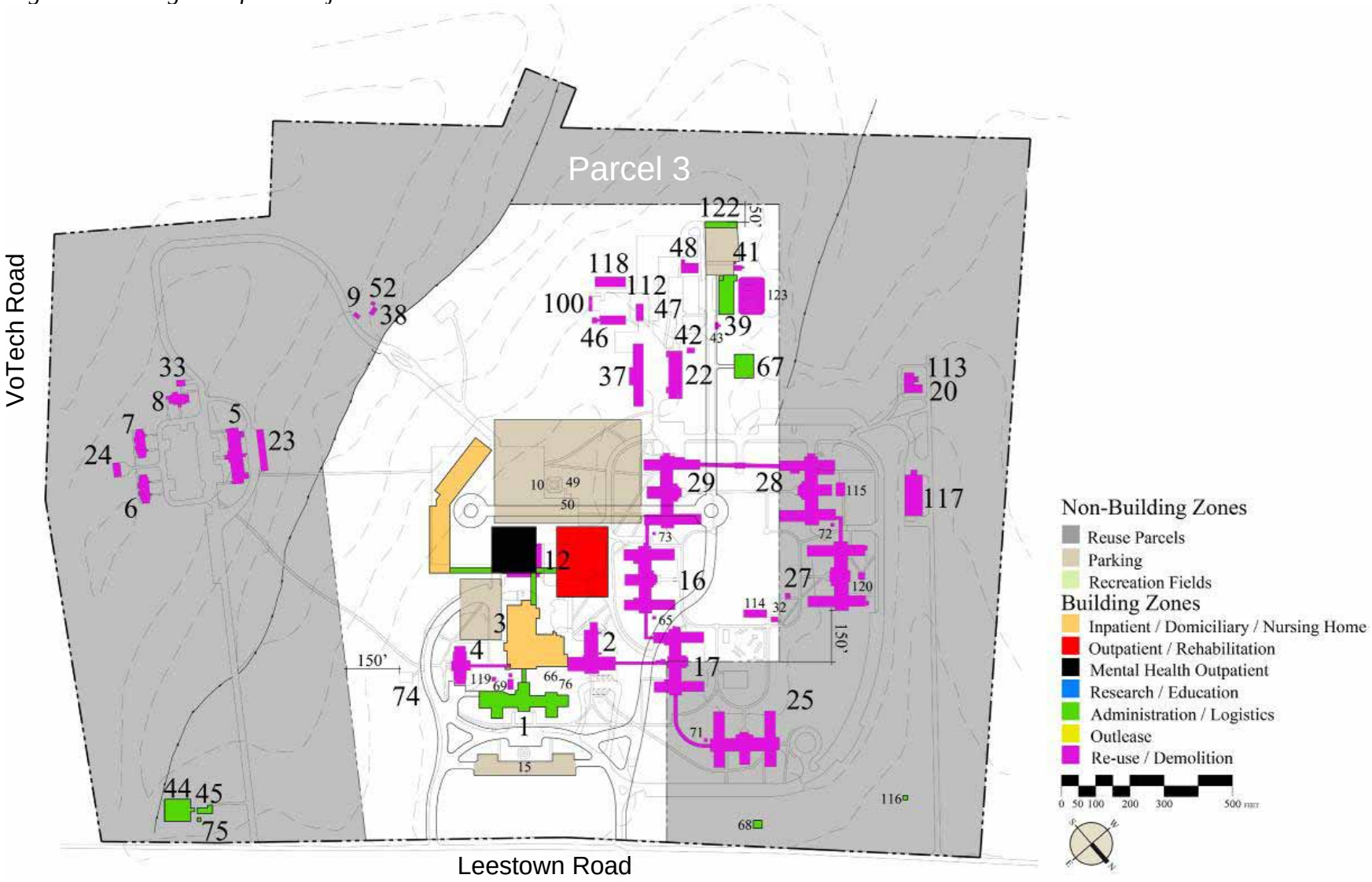
New construction in the central portion of the campus will be appropriately sized to accommodate increasing outpatient workload and consolidation of fragmented outpatient functions and to provide safe, modern, and secure facilities for behavioral health, residential care and nursing home workloads. Administrative and support functions will be consolidated in remaining existing buildings. New surface parking in proximity to these buildings will be constructed to accommodate the increased number of patients. Buildings 10, 12, 16, 17, 25, 29 and in particular 27, 28, would be considered for re-use or demolished to accommodate new construction and parking. Other outlying logistics buildings may also be demolished to the extent that remaining existing buildings can accommodate logistics and support functions near the core of the revised campus.

Remaining acreage identified as Parcel 3 will be available for re-use.

Analysis of Capital Planning Outputs

- Site Plan: The Projected BPO 6 Site Plan (Figure 9) illustrates the proposed BPO campus configuration and locations of buildings.

Figure 9: A Diagram of the Projected BPO 6 Site Plan



- Relocation of Functions: In BPO 6, clinical services will be accommodated in new construction while administrative and support functions occupy renovated areas of existing buildings. Construction of a new outpatient building in the center of the campus south of Building 2. Construction of this building is concurrent with a new nursing home optimizing views and following the sloping topography of the site (Similar to BPO 5 without support functions at the lowest level). Administrative and support functions will be accommodated in renovated areas of Buildings 1 & 3. Following demolition of the historic warehouse (Building 12), construction of new behavioral health facilities may be constructed and vehicular roadways may be completed to reorient the public face to the north and west portion of the campus. Table 25, below, indicated the projected area need as assigned to each building on the campus. Departmental Group area totals are provided for each building.

Table 25: Functional Distribution - BPO 6

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
1	Clinical, Outpatient, Admin.		0	11,088
1	Clinical, Outpatient, Admin.	Acute Care	3,419	0
1	Clinical, Outpatient, Admin.	Administration	11,932	41,189
1	Clinical, Outpatient, Admin.	Ambulatory Services	38,724	0
1	Clinical, Outpatient, Admin.	Behavioral Health	3,345	0
1	Clinical, Outpatient, Admin.	Domiciliary	1,545	0
1	Clinical, Outpatient, Admin.	Logistics	7,017	23,708
1	Clinical, Outpatient, Admin.	Nursing Home	1,545	0
1	Clinical, Outpatient, Admin.	Out Lease	8,484	0
1	Clinical, Outpatient, Admin.	Research	0	33
2	Canteen/Vacant		0	37,408
2	Canteen/Vacant	Acute Care	368	0
2	Canteen/Vacant	Administration	11,239	0
2	Canteen/Vacant	Ambulatory Services	8,394	0
2	Canteen/Vacant	Behavioral Health	368	0
2	Canteen/Vacant	Domiciliary	368	0
2	Canteen/Vacant	Logistics	11,263	0
2	Canteen/Vacant	Nursing Home	368	0
2	Canteen/Vacant	Out Lease	5,043	0
3	Kitchen, Pharmacy, Warehouse	Acute Care	18,733	40,264
3	Kitchen, Pharmacy, Warehouse	Administration	4,894	0
3	Kitchen, Pharmacy, Warehouse	Ambulatory Services	1,865	0
3	Kitchen, Pharmacy, Warehouse	Behavioral Health	807	0
3	Kitchen, Pharmacy, Warehouse	Domiciliary	807	0
3	Kitchen, Pharmacy, Warehouse	Logistics	9,472	6,745
3	Kitchen, Pharmacy, Warehouse	Nursing Home	5,024	0
3	Kitchen, Pharmacy, Warehouse	Out Lease	5,405	0
4	Education		0	12,314
4	Education	Acute Care	218	0
4	Education	Administration	9,699	0
4	Education	Ambulatory Services	218	0

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
4	Education	Behavioral Health	218	0
4	Education	Domiciliary	218	0
4	Education	Logistics	1,088	0
4	Education	Nursing Home	218	0
4	Education	Out Lease	440	0
5	Administration, Reference Lab		0	24,003
5	Administration, Reference Lab	Acute Care	69	0
5	Administration, Reference Lab	Ambulatory Services	69	0
5	Administration, Reference Lab	Behavioral Health	69	0
5	Administration, Reference Lab	Domiciliary	69	0
5	Administration, Reference Lab	Logistics	343	0
5	Administration, Reference Lab	Nursing Home	69	0
5	Administration, Reference Lab	Out Lease	23,317	0
6	Duplex Quarters-leased office space		0	7,558
6	Duplex Quarters-leased office space	Out Lease	7,558	0
7	Duplex Quarters-leased office space		0	7,558
7	Duplex Quarters-leased office space	Out Lease	7,558	0
8	Vacant Quarters-leased office space		0	5,120
8	Vacant Quarters-leased office space	Out Lease	5,121	0
9	Sewage Pump House	Logistics	0	467
12	Warehouse		0	9,332
12	Warehouse	Acute Care	15	0
12	Warehouse	Ambulatory Services	15	0
12	Warehouse	Behavioral Health	15	0
12	Warehouse	Domiciliary	15	0
12	Warehouse	Logistics	9,259	0
12	Warehouse	Nursing Home	15	0
16	Nursing Home Care		0	70,976
16	Nursing Home Care	Acute Care	2,622	0
16	Nursing Home Care	Administration	1,109	0
16	Nursing Home Care	Ambulatory Services	9,674	0
16	Nursing Home Care	Behavioral Health	688	0
16	Nursing Home Care	Domiciliary	688	0
16	Nursing Home Care	Logistics	5,339	0
16	Nursing Home Care	Nursing Home	43,269	0
16	Nursing Home Care	Out Lease	7,519	0
16	Nursing Home Care	Research	70	0
17	SAC/Admin		0	66,479
17	SAC/Admin	Acute Care	4,362	0
17	SAC/Admin	Administration	4,621	0
17	SAC/Admin	Ambulatory Services	4,742	0
17	SAC/Admin	Behavioral Health	35,911	0
17	SAC/Admin	Domiciliary	1,588	0
17	SAC/Admin	Logistics	9,441	0
17	SAC/Admin	Nursing Home	1,588	0
17	SAC/Admin	Out Lease	4,221	0

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
20	Vacant Storage		0	2,553
20	Vacant Storage	Out Lease	2,553	0
22	VRT Clinic (CWT)		0	8,519
22	VRT Clinic (CWT)	Acute Care	171	0
22	VRT Clinic (CWT)	Administration	171	0
22	VRT Clinic (CWT)	Ambulatory Services	171	0
22	VRT Clinic (CWT)	Behavioral Health	171	0
22	VRT Clinic (CWT)	Domiciliary	171	0
22	VRT Clinic (CWT)	Logistics	7,153	0
22	VRT Clinic (CWT)	Nursing Home	171	0
22	VRT Clinic (CWT)	Out Lease	171	0
22	VRT Clinic (CWT)	Research	171	0
23	Vacant 12-Car Garage		0	2,812
23	Vacant 12-Car Garage	Out Lease	2,811	0
24	Vacant 4-Car Garage		0	901
24	Vacant 4-Car Garage	Out Lease	901	0
25	NP Infirmary		0	53,368
25	NP Infirmary	Administration	5,960	0
25	NP Infirmary	Ambulatory Services	5,960	0
25	NP Infirmary	Out Lease	41,446	0
27	Nursing Home Care		0	50,859
27	Nursing Home Care	Out Lease	50,859	0
28	Intermediate Care		0	78,375
28	Intermediate Care	Out Lease	78,375	0
29	Psychiatric Nursing		0	80,576
29	Psychiatric Nursing	Acute Care	724	0
29	Psychiatric Nursing	Administration	10,874	0
29	Psychiatric Nursing	Ambulatory Services	15,631	0
29	Psychiatric Nursing	Behavioral Health	724	0
29	Psychiatric Nursing	Domiciliary	724	0
29	Psychiatric Nursing	Logistics	12,387	0
29	Psychiatric Nursing	Nursing Home	724	0
29	Psychiatric Nursing	Out Lease	38,628	0
29	Psychiatric Nursing	Research	163	0
32	Recreational Storage, Pt. Bathroom		0	232
32	Recreational Storage, Pt. Bathroom	Out Lease	232	0
33	Single Garage		0	329
33	Single Garage	Out Lease	329	0
37	Vocational Rehab. Therapy		0	6,464
37	Vocational Rehab. Therapy	Ambulatory Services	158	0
37	Vocational Rehab. Therapy	Logistics	2,894	0
37	Vocational Rehab. Therapy	Out Lease	3,413	0
38	Sewage Pumping Station	Logistics	0	796
39	Boiler Plant	Logistics	0	8,304
41	Engineering Lock Shop		0	984
41	Engineering Lock Shop	Logistics	985	0

Building No.	Building Name	Building Group	Existing BGSF	Proposed BGSF
45	Pump House	Logistics	0	1,049
46	Greenhouse		0	2,873
46	Greenhouse	Ambulatory Services	2,873	0
47	Engineering Shops	Logistics	5,079	5,080
48	Grounds/Transportation	Logistics	1,283	1,284
49	CCTV Equipment		0	57
52	Mechanical	Logistics	0	96
67	Chiller Plant	Logistics	0	4,298
68	Switching Station	Logistics	0	754
69	Generator/Switchgear	Logistics	0	640
71	Emergency Generator	Logistics	0	192
72	Emergency Generator	Logistics	0	192
73	Emergency Generator	Logistics	0	192
74	Outdoor Recreation Shelter		0	1,189
75	Backflow Valves	Logistics	0	120
100	VRT Horticulture, Multipurpose		0	1,476
100	VRT Horticulture, Multipurpose	Out Lease	1,475	0
115	Shelter for Senior Citizens Park		0	1,186
116	Gas Meter House	Logistics	0	144
117	Storage Warehouse		0	6,248
117	Storage Warehouse	Logistics	6,247	0
120	Patients' Recreation Shelter		0	1,186
122	Equipment Storage Shed	Logistics	0	1,950
125	Patient Smoking Shelter	Logistics	0	311
CC	Connecting Corridor		0	9,700
T112	Furniture Repair Shop		0	1,856
T112	Furniture Repair Shop	Logistics	1,857	0
T113	Mechanical		0	168
T118	VRT Storage		0	3,000
T118	VRT Storage	Out Lease	3,000	0
Z-25	Service Corridors	Logistics	0	2,700
Z-26	Nursing Home	Nursing Home	0	45,504
Z-27	Domiciliary	Domiciliary	0	16,441
Z-28	Behavioral Health	Behavioral Health	0	15,433
Z-29	Ambulatory Services	Ambulatory Services	0	61,444

Notes:

- There is no research space provided on the Leestown campus. However, area projections for this departmental group result from mathematical rounding. Where indicated, this area has been included as part of the overall building projected areas assigned to the largest departmental group within the building.
- If building group is blank it identifies unassigned space
- The plan recognizes that out leased space currently has existing relationships which will be considered in re-use planning

- Building Color Code: Similar to the Existing Current Stage Site Plan, the building color indicates the Departmental Group (Zone) of the *primary* occupants for each building. Matching the building color key used for the Existing Current State Site Plan, the

proposed building color indicates the predominant occupancy of the building. Refer to the Legend regarding the Departmental Group (Zone) contained therein.

- Site Impact during Construction: Site area calculations for cost estimating purposes are identified in Table 26. New surface parking and repaving of existing parking areas demand the greatest area and associated costs. Construction of a new public access roadway to the west as well as the service drive to the east will be constructed in the latter phase of development to allow for uninterrupted existing vehicular access serving existing parking and entry locations. This BPO requires approximately 43 acres of landscape and 4 acres of paving.

- Campus Area and Uses: The Alternate BPO 6 campus configuration as indicated on the site plan is summarized in Table 26. There is no dedicated exterior recreation area defined. However, there is ample land available for recreational activities. The area totals for primary activities on the portions of the site to be retained exclusively for VA-related functions are indicated in the Campus Area Total below.

Table 26: Campus Area Total Acreage - BPO 6

Campus Area	Acres
Recreation	0
Parking	~ 4
Buildings & Landscape	~ 43
BPO Total (total of above)	~ 47
Existing Campus Total	~ 129

- Land Parcels Available for Re-Use: BPO 6 makes available approximately 82 acres (64% of the site) is available for Re-use (See Table 27).

Table 27: Land Parcels Designated for Re-use – BPO 6

Re-use Parcels	Acres
Re-Use Area 3	82

- Buildings Available for Re-Use: In BPO 6, three historic buildings (25, 27 and 28) as well as the residential cluster (historic buildings 5, 6, 7 & 9) and their associated garage structures are available for re-use.

- Parking: Portions of the existing surface parking areas will be repaved and expanded to provide parking in the most convenient locations adjacent to building entries. Where existing parking is not required, it will be removed and new buildings or landscape will be provided. Distribution of parking by departmental group is indicated in Table 28. There is sufficient land available to meet the parking need. Therefore structured parking is not required for this campus.

Table 28: Parking Distribution – BPO 6

Parking Area	Total Surface Spaces	Total Structured Spaces	Surface Area (SF)	Structured Area (SF)	Location
Acute Care	58	0	23,200	0	East of building 29
Nursing Home	53	0	21,200	0	East of Building 29
Domiciliary	19	0	7,600	0	East of building 29
Rehabilitation	0	0	0	0	
Behavioral Health	18	0	7,200	0	East of Building 29
Ambulatory Services	237	0	94,800	0	East of Building 29
Research	1	0	400	0	East of building 29
Administration	47	0	18,800	0	North of Building 1
Logistics	15	0	6,000	0	East of Building 3 North of Building 122
Total	448	0	179,200	0	

Note: There is no research space provided on the Leestown campus. However, the projected single parking space resulting from mathematical rounding of projected areas has been included in the behavioral health parking area on the site plan.

- Conclusion from the Space Analysis: Through the desire in BPO 6 to provide clinical space in new construction and maintain existing buildings with administrative and support functions, there is considerable reduction in vacant space over BPO 1 (Baseline).

- Construction Phasing: Phasing of construction for new buildings for Ambulatory services and Nursing Home services is possible with some complexity based on desired site location. Roadways serving these functions can utilize a portion of the existing vehicular circulation system in the early phases of implementation. Construction of the new roadway identified between Buildings 16 & 17 will be constructed from gate 3 to the existing roadway south of Building 17 following occupancy of the new Ambulatory Care building. This will support outpatient traffic access to the parking area. The remainder of this roadway and the logistics service/parking area east of Building 3 will be completed at a later stage of implementation. Construction of the Behavioral Health and Domiciliary Building will be phased late in the plan to allow for demolition of the historic warehouse (Building 12). Buildings throughout the existing campus are identified for demolition as they become available to eliminate their ongoing maintenance and security costs. For instance, demolition of historic buildings will initiate in 2017 (refer to assumptions documents) non-historic building may be demolished as they become vacant or by negotiation with parties interested in their re-use.

- Construction Schedule: Schedules for construction activities will be multi-phased and complex to integrate the new buildings into the existing historic fabric and infrastructure of the campus. Disruption to existing service connections and in some cases engineering systems will create frequent but brief disruption to clinical services. These disruptions will be addressed through a variety of solutions. For example, distribution of services will be provided via vehicular transport rather than through on-grade connectors as is presently planned for occupants to be relocated to Buildings 27 & 28. In some cases,

construction of temporary connectors may prove the most beneficial. The intent is to provide new clinical space for Ambulatory care and Nursing Home while continually maintaining vehicular access to all entries of the campus.

- Capital Cost Estimate: An estimate of projected new construction and renovation costs is indicated in the BPO Capital Cost Estimate. The Capital costs are based on campus-wide area projections by Departmental Group (Zone) as indicated in the Projected BPO areas by Departmental Group (Zone).

- Construction Cost depends on Function: Construction costs are derived from projected area requirements by Building and non-Building Departmental Groups (Zones).

- Soft Costs Standardized: Approved factors as stated in the assumptions for soft costs (such as professional fees, furnishings and equipment) are based on consultant experience and VA standards.

Evaluation of Baseline using capital Criteria:

- Consolidation of Vacated Space: The area total indicates that there will be minimal vacant space in BPO 6 reducing the total vacant area by 97%. This is the result of maximizing existing buildings that are proposed to remain with administrative and support areas that are more adaptable to the existing building limitations than clinical space (See Table 29).

Table 29: Percentage of Vacant Space - BPO 6

	BGSF
Existing Vacant	304,036
Vacant BPO	8,094
Difference	-295,942
Percent Difference	-97.34%

- Consolidation of Underutilized Space: Underutilized space is space not used to its full potential because of physical constraints. Because there is a substantial amount of renovation required for this BPO, additional area is required to achieve a modern, safe and secure environment, resulting in an increase of underutilized space. Comparing the ideal space requirements for the workload to the square footage need for this option results in a 14% overall increase in area need (See Table 30).

Table 30: Percentage of Underutilized Space - BPO 6

	BGSF
Projected Ideal BGSF Based on In-House Workload	249,761
Proposed BPO BGSF	290,420
Underutilized Space	40,659
Variance by Percentage	14%

- Timeliness of Completion: The proposed BPO 6 requires a 13.5 year (162 month) complex multi-phased period of construction. Projects will run from initiation in January 2009 with completion to implement improvements to the physical environment starting in January 2010 and completion in July 2022 (See Table 31). Occupancy of the new ambulatory services and nursing home buildings is anticipated for July of 2015. However, the demolition of historic Building 12 will delay construction and associated occupancy of the behavioral health and domiciliary building extend the total construction duration to January of 2022. Following relocation of the behavioral health functions, demolition of Building 29 and completion of the roadway network and landscaping will put completion of the campus in July 2022.

Table 31: Total Construction Duration – BPO 6

	Start	Complete	Months
Total Construction Activity	1/1/2009	7/1/2022	162

- Timeliness of Urgent Seismic Corrections: priority to increase the outpatient capacity on the Leestown campus calls for these functions to be accommodated as early as possible. In addition, the urgency to correct seismic deficiencies in existing buildings that will be renovated in this BPO was also factored into the proposed phasing sequence. Buildings with seismic deficient status that are not projected for VA occupancy will be demolished as they become eligible for demolition based on the implementation schedule.

- Size and Complexity of Capital Plan: Projected areas (BGSF) based on 2023 workload volumes indicate a variety to changes to the Leestown campus as indicated in Table 32. Perhaps the most notable is the projected *decrease* in Ambulatory Services area. This is a result of areas in the CAI that are identified as outpatient but are unoccupied or used for other functions. The area of the existing outpatient clinic in Building 1 is 37,541 BGSF. Compared with the projected area need of 75,902 BGSF the resultant is a net *increase* for ambulatory services of 38,361 BGSF. The Nursing Home values indicate a similar condition. Behavioral Health indicates a reduction in projected area due to the contracted services presently in Building 29 (and select outbuildings) that are identified as outlease space. With the elimination of out leased areas on the campus, the projected area is a net reduction. All resultant vacated space in existing renovated buildings is classified as Logistics space. During the design phase of the project, consideration should be given to location of food services functions (identified in the "acute care" totals below) adjacent to or included with the nursing home functions. This proximity relationship would have minimal impact to the overall campus configuration (except for the receiving dock location) but would increase the nursing home footprint in addition to the total vacant space in Building 3.

Table 32: Campus Area Change - BPO 6

Distributions	Acute Care	Nursing Home	Domiciliary	Rehab.	Behavioral Health	Ambulatory Services	Research	Admin.	Logistics	Out Lease
Existing Distribution	30,703	52,993	6,195	0	42,318	88,498	405	60,502	91,112	298,862
Proposed BPO Distribution	40,264	45,504	16,441	0	15,433	61,444	33	41,190	70,111	0
Variance By BGSF	9,561	-7,489	10,246	0	-26,885	-27,054	-372	-19,312	-21,001	-298,862

Note: There is no research space provided on the Leestown campus. However, the area indicated resulting from mathematical rounding of projected areas has been included in the behavioral health space for distribution on the campus.

- Patient Moves: Of the existing 51 buildings on the campus, in BPO 1 (Baseline), 13 buildings with clinical or clinical-related functions will be renovated to some extent. Patient care functions will be provided in new construction for nursing home, outpatient services, and behavioral health and domiciliary services. The temporary patient move of Nursing Home services in Building 16 to Building 27 will be completed prior to the commencement of any new construction. Support and administrative functions will be provided through renovations to existing buildings (Buildings 1, 3 and select logistics buildings). Patient disruption will be minimized through construction of new buildings rather than through renovation of patient occupied buildings. An overview of patient moves follows. These will be further described in the implementation plans.

    - Outpatient services in Building 1 move to the new outpatient facilities
    - Outpatients in Building 16 move to the new outpatient facilities
    - Nursing home services in Building 27 move to the new nursing home facilities
    - Behavioral health services in Building 29 move to new behavioral health facilities
    - Domiciliary in Building 29 move to new domiciliary facilities

- Historic Buildings Altered: There are 15 buildings identified as historic in the CAI. For this BPO, all 15 will be renovated or demolished (See Table 33). Clinical functions will be relocated into new construction. Historic Buildings 1 & 2 will provide administrative and support functions accessing the new buildings through construction of new on-grade corridors. The balance of the historic buildings on the campus will be demolished or made available for re-use.

Table 33: Historic Buildings Altered - BPO 6

	Quantity
Total Historic or Historically Eligible	15
Altered Historic Buildings	15

5.0 Financial Analysis

A financial analysis, based on the requirements of the VA's cost effectiveness analysis (CEA) tool, was performed for each of the Stage II BPOs for the Leestown Road Division, Lexington VAMC. The chapter first describes key assumptions of the financial analysis at Lexington, followed by a high level comparison of the BPOs. The remainder of the chapter describes the detailed financial outputs associated with each BPO together with the primary factors influencing the results.

Key Assumptions for Lexington

The following key assumptions were considered to support performance of the financial analysis for each BPO at Lexington. A comprehensive description of financial assumptions can be found in a separate document entitled Stage II Assumptions, Inputs and Outputs.

- For each BPO, the VA estimated annual workload is the same across the planning horizon of 2003 to 2033. The Leestown Road workload includes 59 nursing home beds, 30 residential rehabilitation and domiciliary beds, primary care and related specialty outpatient services and outpatient mental health services.
- The transfer of primary care and related specialty outpatient workload from the Cooper Drive campus requires that additional appropriate facilities be constructed and/or renovated. Similarly, the need in outpatient mental health and the residential rehabilitation and domiciliary beds requires expansion and/or right-sizing of existing space to serve the needs forecasted for 2023.
- A nominal amount of workload is assumed to be contracted out for the short term due to capacity constraint issues based on the assumptions in the workload methodology. This short term contracting occurs until 2023. The renovated and/or new facility is sized to meet the forecasted workload in 2023. Inpatient capacity is assumed at 85% of available beds for acute care and 95% of available beds for nursing home and domiciliary. Outpatient capacity is assumed to be 110% of FY 2003 stops for each service or a maximum of 20,000 additional stops which is assumed to be absorbed on a short term basis through operating efficiencies.
- Changes in the way healthcare is provided each year, e.g., provided in-house in the same, renovated or newly constructed facility; timing of occupying renovated or new facilities; modified square feet both in building or land; and other factors result in changes to the operating costs.
- Capital plan assumptions, e.g., renovated or new construction, modified square feet requirements, timing of occupying new space, etc. affect the capital investment costs.
- Re-use assumptions regarding the type of re-use, availability of land and buildings, etc. affect the financial assumptions pertaining to re-use considerations.
- Capital investment costs (for options other than the baseline) include re-use revenues and savings.

BPO Comparison

Table 34 presents a comparison of the key financial outputs for each BPO. Three primary components are considered in this analysis: recurring operating costs, non-recurring capital costs and non-recurring considerations (costs/revenues). Recurring operating costs include direct variable, fixed indirect and fixed direct costs. All of the costs are discussed in terms of net present dollars. This term refers to the process of discounting the dollars from each year over the study period (2003 to 2033) to year 2003 dollars. The intent is to allow for the costs to be compared across BPOs independent of the year when the expense or revenue occurs.

Table 34: BPO Comparison ($ in thousands)
2003 Net Present Dollars

BPO Comparison 2003 Net Present Dollars ($000) Reflects 30 year period 2003- 2033			
	BPO 1	**BPO 5**	**BPO 6**
Recurring Operating Cost	$ 852,005	$ 833,246	$ 832,613
Non-recurring Capital Investment Offset by Re-use	$ 112,521	$ 67,967	$ 106,659
Non-recurring Periodic Maintenance	$ 6,141	$ 3,695	$ 4,166
Total Net Present Cost	**$ 970,667**	**$ 904,908**	**$ 943,438**
Operating Cost Efficiencies Compared to BPO 1	N/A	$ 18,759	$ 19,392
Total NPC Savings As Compared to BPO 1	N/A	$ 65,760	$ 27,230

The Net Present Cost (NPC) is the sum of the annual discounted expense for each BPO over the 2003-2033 period. Discounting allows the NPC for each BPO to be compared to the other BPOs for the study site. The NPC is the sum of the operating costs, the capital costs (both capital investments and periodic maintenance/replacement costs), and the considerations in discounted dollars. A 5.2% Treasury nominal discount rate is assumed to derive the NPCs in FY2003 dollars. BPO 1 (Baseline) does not include re-use.

In terms of the Net Present Cost (NPC), BPO 1 is the most expensive option, with a NPC of $971 million over the 2003-2033 planning horizon. BPO 5 is the least expensive option, with a NPC of $905 million, which is 7 percent lower than the baseline option. The underlying cost drivers affecting the NPC of each BPO are described in detail later in this chapter.

The Recurring Operating Costs represent the majority, between 87 and 92 percent, of the NPC for each of the BPOs. The baseline option (BPO 1) has the highest operating cost, at $852 million over the 2003-2033 period. BPO 6 has the lowest operating cost, at $833 million, which is $19 million lower than the baseline. These operating costs vary across the BPOs primarily as a result of retained land and gross building square feet. These factors dominate because patient demand is consistent across the BPOs.

Non-recurring capital costs include non-recurring investment costs, such as major renovation and/or new construction and non-recurring periodic maintenance/replacement costs. Non-

recurring considerations (re-use, in-kind) include costs and/or revenues associated with the re-use of part of the facility. The timing of capital costs is based on the year in which obligations occur and therefore may differ from the capital plan which is based on schedule and construction duration.

With respect to the Non-Recurring Capital Investments, BPO 1 has the highest cost at $113 million. Re-use is not considered in the baseline. BPO 5 has the lowest capital investment cost at $68 million. The capital investment costs for BPOs 5 and 6 include re-use and other considerations. Non-recurring periodic maintenance / replacement costs are highest for BPO 1 at $6 million, while these costs are about $4 million for BPOs 5 and 6.

Table 35 presents a breakdown of the operating costs for each BPO categorized by direct variable, fixed indirect and fixed direct costs.

Table 35: Operating Cost Breakdown by BPO ($ in thousands)

	BPO 1		BPO 5		BPO 6	
	$000	%	$000	%	$000	%
Direct Variable	$ 371,200	44%	$ 371,200	44%	$ 365,291	44%
Indirect Fixed	$ 401,615	47%	$ 382,856	46%	$ 388,132	46%
Direct Fixed	$ 79,190	9%	$ 79,190	10%	$ 79,190	10%
Total Operating Costs	$ 852,005	100%	$ 833,246	100%	$ 832,613	100%

Direct Variable Costs, (i.e., costs of direct patient care that vary directly and proportionately with fluctuations in workload such as salaries of providers and nurses) account for a large portion (44%) of total operating costs. These costs fluctuate proportionately as the forecasted workload demand changes. As agreed in the assumptions, direct variable costs are not affected by efficiencies per study methodology.

Fixed indirect costs account for a similar proportion (approximately 47%) of total operating costs. These represent costs not directly related to patient care such as utilities and maintenance. Fixed indirect costs are adjusted during the 2003-2033 period based on changes in building square footage and changes in the overall size (acreage) of the campus. Total acreage (not usable) is considered in the financial analysis.

Fixed direct costs represent a smaller proportion (approximately 10%) of the total operating costs. These are costs of direct patient care that do not vary in direct proportion to the volume of patient activity such as depreciation of medical equipment and salaries of administrative personnel. Although fixed direct costs do not fluctuate in direct proportion, this does not mean that they do not change. Adjustments to fixed direct costs occur during the 30-year study period as workload changes (not in direct proportion).

BPO 1 - Baseline

BPO 1 is the option under which there would not be significant changes in either the location or type of services provided in the study site, other than those described in the Secretary's Decision. BPO 1 updates the existing facility to modern, safe and secure standards, where conditions allow, through renovation of selected buildings required to house the necessary services. Services are consolidated in a smaller number of buildings which reduces the square feet required. This is intended to achieve a "right sizing" of facilities along with the necessary investments. Due to the configuration of the proposed BPO, the "back" portion of the site to the south and the vacant residential portion of the site to the east may be considered for re-use at some point in the future.

Inputs and Assumptions

The workload for BPO 1 is primarily performed on the Leestown Road site. The newly renovated facility is planned to be completed in 2018 and is sized to meet the workload demand projection for 2023. A comprehensive description of financial assumptions can be found in a separate document entitled Stage II Assumptions, Inputs and Outputs.

Outputs

Net Present Cost (NPC)

Table 36 summarizes NPC, total operating costs, non-recurring capital investment costs (baseline option does not include re-use considerations), and non-recurring periodic maintenance costs for BPO 1.

Table 36: BPO 1 Financial Summary Outputs ($ in thousands)

Costs:		**BPO 1**	
Total Recurring Operating Costs	$	852,005	88%
Non-Recurring Capital Investment	$	112,521	12%
Non-Recurring Periodic Maintenance	$	6,141	0%
Total Net Present Costs	**$**	**970,667**	**100%**

The Net Present Cost (NPC) is the sum of the annual discounted expense for each BPO over the 2003-2033 period. Discounting allows the NPC for each BPO to be compared to the other BPOs for the study site. The NPC is the sum of the operating costs, the capital costs (both capital investments and periodic maintenance/replacement costs), and the considerations in discounted dollars. A 5.2% Treasury nominal discount rate is assumed to derive the NPCs in FY2003 dollars.

The NPC for BPO 1 is estimated at $971 million for the 30 year period. Higher operating costs ($852 million, 88% of NPC) and higher capital investment ($113 million, 12% of NPC) are the two primary factors driving the higher NPC for BPO 1.

Generally, adjustments to the operating costs associated with providing healthcare (e.g., nursing salaries, utilities, etc.) over a 30 year period have a much greater impact on NPC than any changes to capital expenditures. The operating efficiencies (reflected in fixed indirect costs) of a right sized campus (BPOs 5 and 6) are not captured in BPO 1. This is because the campus and buildings undergo the least amount of change in BPO 1.

Capital investment costs, which include re-use considerations in the other BPOs are higher for BPO 1, in part due to the extensive renovation required in BPO 1. BPO 1 requires renovation of 432,000 BGSF in existing buildings. The use of existing buildings for services for which they were not designed, results in a requirement for more space and subsequently more space being renovated compared to the requirements for BPOs 5 and 6.

The baseline assumption does not consider re-use of land or buildings. However, due to the configuration of the proposed BPO, portions of the site may be considered for re-use as an Alternate BPO 1 (Baseline). The campus and re-use area total for the Alternate BPO 1 (Baseline) indicates approximately 58% (Parcels 1, 4 & 5) of the present campus may be available for re-use.

Total Operating Costs

BPO 1's total operating costs of $852 million is the largest cost component within the overall NPC, accounting for approximately 88% of the NPC. As a percentage of total operating costs for the 2003-2033 period, direct variable, indirect fixed, and direct fixed costs account for 44% ($371 million), 47% ($402 million), and 9% ($79 million), respectively. Demand for nursing home and domiciliary services and outpatient services are the types of services (CICs) primarily driving total operating costs.

Direct variable costs fluctuate proportionately as the forecasted workload demand changes. As a percentage of operating costs by year over the 30-year study period, direct variable costs range from 40% to 45% of total operating costs per year. The percentage changes because of a reduction in indirect fixed costs and changes due to short-term contracting. As indirect fixed costs change and direct variable costs remain the same, direct variable costs change as a portion of total operating costs. Short-term contracting costs due to capacity constraints over the 30-year period are reflected in direct variable costs. However, the need for short-term contracting at Lexington is minimal over the 2003-2033 period in BPO 1.

Indirect fixed costs, i.e., costs not directly related to patient care, account for about 46 to 50% of total operating costs each year over the 30 year period. Upon completion of the renovation, indirect fixed costs are adjusted to consider the change in costs that result from the change in the Leestown Road Division's campus design. Indirect fixed cost adjustments are based on the reduction in building square footage from 705,000 to 432,000 square feet, campus size (acreage) staying the same, and an increase in workload over the study period. Changes to indirect fixed costs are projected to occur starting in 2018 upon the completion of construction. From 2018 through 2033, indirect fixed costs are 108% of 2017 values. The increase in indirect fixed costs is due to the increase in workload (and subsequent increase in costs) offsetting the efficiencies

gained from the reduction in square footage. The campus and buildings are changed the least in BPO 1, therefore, the cost savings due to operating efficiencies (reflected in indirect fixed costs) of a right-sized campus that are present in BPOs 5 and 6 are not reflected in BPO 1.

Direct fixed costs are costs of direct patient care that do not vary in direct proportion to the volume of patient activity. Direct fixed cost adjustments are incorporated each year based on changes in utilization. These costs account for about 9% of total operating costs for the 2003-2033 period.

Capital Costs

The total capital costs of $119 million account for approximately 12% of the NPC. The non-recurring capital investment costs for BPO 1 are associated with updates the existing facility to modern, safe and secure standards, where conditions allow, through renovation of selected buildings required to house the necessary services. The non-recurring capital investment costs are estimated to be $113 million. Re-use revenues and savings are not available under the baseline to offset the capital investment costs.

The non-recurring capital investment costs are incurred between 2009 and 2017. Capital investment costs are incurred at the beginning of the construction phases. Activation costs (start-up equipment, furnishings, moving, etc.) equal 20% of new construction costs and are assumed to occur in the last year of construction. BPO 1 requires 431,525 BGSF in renovation of existing buildings. The use of existing buildings for services, for which they were not designed, requires more space to be used and subsequently more space being renovated than the amount of new space required in BPOs 5 and 6.

There are periodic maintenance / replacement costs of $6 million beginning in FY2020 through FY2033. These costs do not include maintenance / replacement costs for buildings that are not planned for use. Periodic maintenance and replacement costs are driven by the maintenance/replacement schedule (15, 25, 30 years) of major items and/or projects.

BPO 5 - Build New Clinical and Administrative Facilities on Southeast Portion of Campus

BPO 5 is distinguished by the relocation of all clinical services and administrative functions in appropriately sized new multi-story facilities located on the mostly vacant southeastern part of the campus. New surface parking would accommodate the increased number of patients. The main part of the campus will be completely vacated providing those buildings and land available for re-use. This is intended to achieve a "right sizing" of facilities.

Inputs and Assumptions

The workload for BPO 5 is primarily performed on the Leestown Road site. The newly constructed facility is planned to be completed in 2018 and is sized to meet the workload demand projection for 2023. A comprehensive description of financial assumptions can be found in a separate document entitled Stage II Assumptions, Inputs and Outputs.

BPO 5's NPC of $905 million is about $66 million less than the BPO 1's NPC of $971, about a 7% savings. There are two primary factors driving the lower NPC, lower operating costs and lower capital investment costs which are offset by re-use revenue. Operating costs for BPO 5 are $19 million less than the operating costs of BPO 1. The lower operating costs of BPO 5 as compared to BPO 1 are due to operating efficiencies that are reflected in lower indirect fixed costs (maintenance, utilities, etc.) due to a smaller, right-sized campus. BPO 5's capital investment expense of $68 million, including re-use, is significantly lower than BPO 1's capital investment costs of $113 million. Since BPO 5 involves the construction of all new facilities, this BPO is estimated to need 250,000 square feet of space.

Outputs

Net Present Cost (NPC)

Table 37 summarizes NPC, total operating costs, non-recurring capital investment costs including re-use considerations, and non-recurring periodic maintenance costs for BPO 5.

Table 37: BPO 5 Financial Summary Outputs ($ in thousands)

Costs:		**BPO 5**	
Total Recurring Operating Costs	$	833,246	92%
Non-Recurring Capital Investment Offset by Re-use	$	67,967	8%
Non-Recurring Periodic Maintenance	$	3,695	0%
Total Net Present Costs	**$**	**904,908**	**100%**
Operating Cost Efficiencies Compared to BPO 1	$	18,759	

The Net Present Cost (NPC) is the sum of the annual discounted expense for each BPO over the 2003-2033 period. Discounting allows the NPC for each BPO to be compared to the other BPOs for the study site. The NPC is the sum of the operating costs, the capital costs (both capital investments and periodic maintenance/replacement costs), and the considerations in discounted dollars. A 5.2% Treasury nominal discount rate is assumed to derive the NPCs in FY2003 dollars.

The NPC for BPO 5 is estimated at $905 million for the 2003-2033 period. There are two primary factors driving the lower NPC of BPO 5, lower operating costs and lower capital investment costs which are offset by re-use revenue.

Approximately $833 million or 92% of the NPC are operating costs. Operating costs for BPO 5 are $19 million less than the operating costs of BPO 1. The lower operating costs of BPO 5 compared to BPO 1 are due to operating efficiencies that are reflected in lower indirect fixed costs (maintenance, utilities, etc.) due to a smaller, right-sized campus.

Beginning in 2010, capital investment costs of $68 million (offset by re-use revenues) are incurred. BPO 5's capital investment expense of $68 million, including re-use, is significantly lower than BPO 1's capital investment costs of $113 million. Starting in 2020 through 2033, a total of $4 million will be incurred for non-recurring periodic maintenance/replacement costs. The maintenance of the facility includes the maintenance of buildings that are anticipated to be re-used. Capital investment and periodic maintenance costs combined represent about 8% of the NPC.

Total Operating Costs

BPO 5's total operating costs of $833 million is the largest cost component within the overall NPC, accounting for about 92% of the NPC. As a percentage of total operating costs for the 2003-2033 period, direct variable, indirect fixed, and direct fixed costs account for 44% ($371 million), 46% ($383 million), and 10% ($79 million), respectively.

Direct variable costs fluctuate proportionately as the forecasted workload demand changes. As a percentage of total operating costs by year over the 30-year study period, direct variable costs range from 40% to 48% of total operating costs per year. The percentage is impacted primarily by a reduction in fixed indirect costs, and changes due to short-term contracting. As fixed indirect costs are reduced and direct variable costs remain the same, direct variable costs become a greater portion of total operating costs. Short-term contracting costs due to capacity constraints over the 2003-2033 period are reflected in direct variable costs. This need is minimal over the 30-year period.

Indirect fixed costs, i.e., costs not directly related to patient care, account for about 43 to 50% of total operating costs each year over the 30 year period. Upon completion of the construction, indirect fixed costs are adjusted to consider the change in costs that result from the smaller campus design. This is the primary driver of the operating costs savings. Indirect fixed costs are adjusted based on overall change (2003-2033) in workload, changes to building square footage and changes in the overall campus size. Indirect fixed costs are adjusted beginning in 2018 at the completion of construction. Indirect fixed adjustments are driven by a reduction in square feet from 705,000 to 250,000 square feet and a reduction in campus size from 128 to 41 acres.

Overall workload increases during the study period, partially offsetting the indirect fixed cost savings from the reduction in buildings and campus size. Beginning in 2018, indirect fixed costs are 95% of 2017 values (savings of $1.4 million in 2018 as compared to BPO 1)

Direct fixed cost adjustments are incorporated each year based on changes in utilization. These costs account for about 10% of total operating costs for the 2003-2033 period.

Capital Costs

The non-recurring capital investment costs are estimated to be $68 million for construction and $4 million for periodic maintenance/ replacement. These costs represent about 8% of the NPC. The non-recurring capital investment costs for BPO 5 are associated with the construction and periodic maintenance/replacement costs of renovation and new construction on the campus. These costs are offset by re-use revenues. Although re-use revenues are significant, these revenues do not have a material impact on the NPC of BPO 5.

New building construction includes new utilities. Activation costs (start-up equipment, furnishings, moving, etc.) equal 20% of new construction costs and are assumed in the last year of construction. The capital investment costs are incurred at the beginning of each construction phase. Capital investment costs begin in 2010. The periodic maintenance/replacement costs of $4 million are incurred beginning in FY2020 through FY2033. Periodic maintenance and replacement costs are driven by the maintenance/replacement schedule (15, 25, 30 years) of major items and/or projects.

BPO 6 - Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus

In BPO 6, new clinical care buildings are constructed in the central portion of the campus. They are appropriately sized to accommodate increasing outpatient workload and consolidate fragmented outpatient functions and to provide safe, modern, and secure facilities for behavioral health, residential care and nursing home workloads. Administrative, logistics and support functions are consolidated in existing buildings. New surface parking is constructed. Buildings 10, 12, 16, 17, 25, 29 and in particular 27, 28, would be considered for re-use or demolished to accommodate new construction.

Inputs and Assumptions

The workload for BPO 6 is primarily performed on the Leestown Road site with minimal need for short-term contracting to provide clinical services. The newly constructed and renovated facility is planned to be completed in 2022 and is sized to meet the workload demand projection for 2023. A comprehensive description of financial assumptions can be found in a separate document entitled Stage II Assumptions, Inputs and Outputs.

Outputs

Net Present Cost "NPC"

Table 38 summarizes NPC, total operating costs, non-recurring capital investment costs including re-use considerations, and non-recurring periodic maintenance costs for BPO 6.

Table 38: BPO 6 Financial Summary Outputs ($ in thousands)

Costs:		**BPO 6**	
Total Recurring Operating Costs	$	832,613	88%
Non-Recurring Capital Investment Offset by Re-use	$	106,659	12%
Non-Recurring Periodic Maintenance	$	4,166	0%
Total Net Present Costs	**$**	**943,438**	**100%**
Operating Cost Efficiencies Compared to BPO 1	$	19,392	

The Net Present Cost (NPC) is the sum of the annual discounted expense for each BPO over the 2003-2033 period. Discounting allows the NPC for each BPO to be compared to the other BPOs for the study site. The NPC is the sum of the operating costs, the capital costs (both capital investments and periodic maintenance/replacement costs), and the considerations in discounted dollars. A 5.2% Treasury nominal discount rate is assumed to derive the NPCs in FY2003 dollars.

The NPC for BPO 6 is $943 million for the 30 year period. BPO 6's NPC is about $27 million less than BPO 1 or about a 3% savings. There are two primary factors driving the lower NPC of BPO 6, lower operating costs ($833 million, 88% of NPC) and lower capital investment costs ($107 million, 12% of NPC) offset by re-use revenues.

BPO 6 involves creating a right-sized, efficient healthcare environment. The redesigned campus results in operating cost efficiencies that are reflected in operating costs and subsequently NPC. Operating costs for BPO 6 are $19 million less than the operating costs of BPO 1. The lower operating costs of BPO 6 as compared to BPO 1 are due to operating efficiencies that are reflected in lower fixed indirect costs (maintenance, utilities, etc.) due to a smaller, right-sized campus.

The total capital costs, including re-use and periodic maintenance, of $111 million account for about 12% of the NPC. BPO 6 combines renovations and new construction to meet campus demands. The capital investment costs including re-use are $107 million or approximately $6 million less than BPO 1's capital investment costs. The replacement/maintenance costs are lower than BPO 1 by about $2 million.

Total Operating Costs

BPO 6's total operating costs of $833 million are the largest cost within the overall NPC, accounting for approximately 88% of the NPC. As a percentage of total operating costs for the 30-year period, direct variable, indirect fixed, and fixed direct costs account for 44% ($365 million), 46% ($388 million), and 10% ($79 million), respectively. Demand for inpatient nursing home and domiciliary services and outpatient services are primarily driving total operating costs.

Direct variable costs fluctuate proportionately as the forecasted workload demand changes. As a percentage of total operating costs by year over the 2003-2033 period, direct variable costs range from 40% to 47% of total operating costs per year. The percentage is impacted primarily by a reduction in indirect fixed costs, and changes due to short-term contracting. As indirect fixed costs are reduced and direct variable costs remain the same, direct variable costs become a greater portion of total operating costs. Short-term contracting costs due to capacity constraints over the 30-year period are reflected in direct variable costs. This need is minimal over the 30-year period.

Indirect fixed costs, i.e., costs not directly related to patient care, account for about 44 to 50% of total operating costs each year over the 2003-2033 period. Upon completion of the new construction, indirect fixed costs are adjusted to consider the change in costs that result from the change in Lexington's campus redesign. Indirect fixed costs are adjusted beginning in 2022 at the completion of construction, and are driven by a decrease in square footage from 705,000 to 290,420 square feet and a reduction in campus size from 128 to 42 acres. Overall workload increases during the study period partially offset the indirect fixed cost savings from the reduction in buildings and campus size. Beginning in 2022, indirect fixed costs are 98% of 2021 values (savings of approximately $1 million in indirect fixed costs achieved in 2023 as compared to BPO 1).

Direct fixed costs are costs of direct patient care that do not vary in direct proportion to the volume of patient activity. Fixed direct cost adjustments are incorporated each year based on changes in utilization. These costs account for about 10% of total operating costs for the 2003-2033 period.

Capital Costs

The non-recurring capital investment costs for BPO 6 are associated with the construction and major renovation on the resized campus and periodic maintenance / replacement costs of approximately $107 million and $4 million, respectively.

A small capital investment cost is scheduled to begin to impact BPO 6 in 2005, but the primary costs are incurred in 2010 and during the period between 2017 and 2022. Planned new building construction includes the construction cost of new utilities. Activation costs (start-up equipment, furnishings, moving, etc.) equal 20% of new construction costs and are assumed in the last year of construction. Re-use revenues realized in BPO 6 are used to offset the cost of capital investments. Although re-use revenues are significant, these revenues do not have a material impact on the NPC of BPO 6.

The periodic maintenance/replacement costs are scheduled to begin in 2020 and continue through 2032. Periodic maintenance and replacement costs are driven by the maintenance/replacement schedule (15, 25, 30 years) of major items and/or projects. The total capital costs (including re-use considerations and periodic maintenance) of approximately $111 million are not as large of a portion of NPC as total operating costs, but do account for over 12% of NPC.

6.0 Ability to Support Other VA Programs

As noted previously, the purpose of this study is to determine how BPOs may support or jeopardize specific programs that have been identified as primary initiatives. These initiatives include enhanced DoD sharing, One-VA integration, promotion of specialized programs, and enhancement of services to veterans. The following summarizes the current position of the Leestown Road Division, Lexington VAMC with respect to the noted criteria for this study:

One-VA Integration

There is neither a VBA nor NCA office on the Lexington, VAMC campus. The closest VBA office is in Louisville and the closest NCA office is in Lexington, KY.

Proposed Enhancement of Services

No additional direct enhancement of services is proposed other than the establishment of the polytrauma program; however, additional enhancements to services may be achieved through implementation of various re-use options. The re-use analysis indicates that the Leestown campus has potential for the development of a Continuing Care Retirement Community (CCRC) that would provide a complete suite of services from independent living and assisted living to Alzheimer's and skilled nursing. This care facility would complement the existing healthcare services provided at the Leestown campus and provide an alternative living option for veterans in close proximity to a VAMC that would provide specialized veterans services such as PTSD and outpatient mental health services.

BPO 1 - Baseline

As previously described, BPO 1 is the option under which there would not be significant changes in either the location or type of services provided in the study site, other than those described in the Secretary's Decision. BPO 1 updates the existing facility to modern, safe and secure standards, where conditions allow, through renovation of selected buildings required to house the necessary services. Table 39 summarizes the impact of Option 1 on the evaluation criteria.

Table 39: BPO 1 - Ability to Support Other VA Programs Impact

Evaluation Criteria	Impact
One-VA Integration	• In Option 1, the area VBA and NCA offices remain at their respective locations in Louisville and Lexington, and they are not co-located with the VAMC on the Leestown campus. Thus, there is no impact on One-VA Integration.
Proposed Enhancement of Services	• There are no direct proposed enhancements to services for the Leestown campus. However, if re-use were to be implemented in the Baseline, the re-use plan includes 31 acres of CCRC and independent living / multi-family residential establishments. Again, the complementary services of the CCRC would provide enhancement of services to the existing campus.

BPO 5 - Build New Clinical and Administrative Facilities on Southeast Portion of Campus

This option focuses on replacing all of the facilities in appropriately sized multi-story facilities to house all clinical and administrative functions and new surface parking to accommodate the increased number of patients in the southeastern part of the campus on land which is mostly vacant. The main part of the campus will be completely vacated and all buildings and land available for re-use. Table 40 summarizes the impact of Option 5 on the evaluation criteria.

Table 40: BPO 5 - Ability to Support Other VA Programs Impact

Evaluation Criteria	Impact
One-VA Integration	• In Option 5, the area VBA and NCA offices remain at their respective locations in Louisville and Lexington, and they are not co-located with the VAMC on the Leestown campus. Thus, there is no impact on One-VA Integration.
Proposed Enhancement of Services	• There are no direct proposed enhancements to services for the Leestown campus, thus there is no impact in Option 5. However, the re-use plan for Option 5 includes 17 acres dedicated to the establishment of a CCRC. Similar to Baseline, the complementary services of the CCRC would provide enhancement of services to the existing campus.

BPO 6 - Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus

In this option, new clinical care buildings are constructed in the central portion of the campus. They are appropriately sized to accommodate increasing outpatient workload and consolidate fragmented outpatient functions. Administrative, logistics and support functions are consolidated in existing buildings. Table 41 summarizes the impact of Option 6 on the evaluation criteria.

Table 41: BPO 6 - Ability to Support Other VA Programs Impact

Evaluation Criteria	Impact
One-VA Integration	• In Option 6, the area VBA and NCA offices remain at their respective locations in Louisville and Lexington, and they are not co-located with the VAMC on the Leestown campus. Thus, there is no impact on One-VA Integration.
Proposed Enhancement of Services	• There are no direct proposed enhancements to services for the Leestown campus, thus there is no impact in Option 6. However, similar to Baseline, the re-use plan includes 31 acres of CCRC and independent living / multifamily residential establishments. Again, the complementary services of the CCRC would provide enhancement of services to the existing campus.

7.0 Stakeholder and LAP Input Analysis

The purpose of the Stakeholder element in the CARES study was to encourage a meaningful dialogue among veterans, veterans advocacy groups, VA employees, elected officials, and other interested parties about the options being considered for the Lexington site. Feedback from stakeholders was considered by Team PwC in developing and evaluating BPOs and in developing implementation plans and risk mitigation strategies for each BPO. This feedback will also be used by VA decision makers in weighing the advantages and disadvantages of each BPO and its associated implementation plans.

VA determined at the beginning of the CARES process that it would use the Federal Advisory Committee Act (FACA) process to solicit stakeholder input and to provide a public forum for discussion of stakeholder concerns because "[t]he gathering and consideration of stakeholder input in this scope of work is of great importance." According to the Statement of Work, the purpose of the Local Advisory Panel (LAP) appointed under the FACA is to:

> provide the Contractor with a perspective on previous CARES local planning products, facility mission and workload, facility clinical issues, environmental factors, VISN referral and cross cutting issues in order to assist the Contractor in the refinement of the options the Contractor shall recommend. The Federal Advisory Committee will also provide feedback to the Contractor on proposed options and recommendations.

The Lexington LAP consists of six members: Patricia Pittman (Chair); General Les Beavers (retired); Dr. Richard (Dan) Roth; Becky Estep; Ron Spriggs; and Randy Fisher. The members of the LAP are VA staff, representatives of the community, or members of a veteran service organization.

The LAP held public meetings at which stakeholders had an opportunity to present testimony and comment on the work performed by Team PwC and the deliberations of the LAP. The LAP public meetings were one of a series of communication channels provided to stakeholders to express their interests, concerns, and priorities for the study. Stakeholders could give oral and written testimony at the LAP meetings, submit written comments or proposals to the central mailing address, or complete one of the comment forms specific to the options being studied in Stage I or Stage II.

Recap of LAP Meeting 2 Stakeholder and LAP Input

Approximately 40 members of the public attended the second LAP meeting held on September 22, 2005 during Stage I of the CARES study. At this meeting, stakeholders were given the opportunity to provide feedback regarding the specific BPOs being considered for further study in Stage II by Team PwC. Through the VA CARES website and comment forms distributed at the public meeting, stakeholders were able to indicate if they “favor”, are “neutral”, or are “not in favor” of each of the BPOs. The results of this written and electronic feedback on the BPOs being considered for further study in Stage II are provided in the table below. Because BPO 6 was added at the second LAP meeting, it was not included on the LAP 2 comment form:

Table 42: LAP Meeting 2 Stakeholder Comment Form Results for Stage II Study BPOs

BPO	Label	Favor	Neutral	Not Favor
1	Baseline	4	0	1
5	Replace all facilities on southeastern part of the campus	0	2	3
6	Construct appropriately sized new clinical care buildings on central portion of campus	Option Added by LAP		

Overall, the small number of comment forms that were received indicated that stakeholders showed support for the Baseline option (BPO 1) which renovates and maintains existing buildings and did not support BPO 5 which replaces all facilities on the southeastern part of the campus.

Although the comment form feedback received during the stakeholder input period around the second LAP was limited, a considerable number of veterans, veteran advocates, and other interested parties provided oral testimony at the second LAP meeting. Most expressed strong concern about preserving the scenic quality of the current Lexington campus and conveyed their desire to maintain the current facilities.

Following the presentation of public comments at the second LAP meeting, the LAP conducted its deliberation on the BPOs presented by Team PwC. The LAP voted on BPOs only if they were seconded for voting by a LAP member. The following table presents the results of LAP deliberations at the second public meeting on the BPOs being considered for further study in Stage II.

Table 43: LAP Meeting 2 BPO Voting Results

BPO	Label	Seconded	Yes	No	Abstain
1	Baseline	Yes	6	0	0
5	Replace all Facilities on Vacant Land in the Southeastern Part of the Campus	No	n/a	n/a	n/a
6*	Construct a 65,000 Square Foot Outpatient Building Adjacent to Buildings 17 and 25	Yes	4	2	0

* BPO Added by LAP

Overall at the second public meeting the LAP members agreed with the public that services should be maintained on the Lexington campus and potential reuse of the facilities must be aligned with the VA mission. Some LAP members expressed the most support for the Baseline option (BPO 1), while others indicated that new facilities would be preferable for veteran care at Lexington.

Summary of LAP Meeting 3 Stakeholder and LAP Input

A third period for submitting electronic or written comments on the BPOs began July 13, 2006, the day of the Secretary's study announcement for Stage II, and ended on October 4, 2006, 14 days after the third LAP meeting. Approximately 30-40 members of the public attended the third LAP meeting held on September 20, 2006, and a total of 16 forms of stakeholder input (oral, written, and electronic) were received between July 13 and October 4, 2006. The concerns of

stakeholders who submitted general comments during this period are summarized in the following table:

Table 44: General Stakeholder Concerns for Stakeholder Input Period 3

Key Concern	Total Times Stakeholders Voiced General Concerns	Percentage of Total General Concerns Voiced
Adequate Facilities	5	17%
Timeliness	0	0%
Availability of Care	0	0%
Use of Facility	13	45%
Campus Environment	3	10%
Other	8	28%

Similar to Stage I, during Stage II stakeholders were provided a comment form that described the options being studied. This comment form was available electronically on the VA CARES project website (www.va.gov/CARES) as well as in paper form at the third LAP public meeting. It invited stakeholders to indicate if they have any of the concerns defined in the following table for each option:

Table 45: Comment Form Categories of Stakeholder Concern for each BPO

Category of Concern	Definition
Adequate Facilities	Concerns about whether this option would provide a modern facility capable of meeting healthcare demands in the future.
Timeliness	Concerns about the length of time to finish construction called for by this option.
Availability of Care	Concerns that construction will disrupt the healthcare currently provided
Use of Facility	Concerns about whether this option makes good use of existing land and facilities.
Campus Environment	Concerns that this option will disrupt the historic quality or the natural setting of the current campus.

Of the 16 forms of stakeholder input received during the input collection period, 8 of those were electronic and paper comment forms specific to the Stage II study options. The feedback received from these comment forms is summarized in the following tables:

Table 46: LAP Meeting 3 Stakeholder Comment Form Results - Number of Concerns

	Number of Concerns by BPO		
Concerns	**BPO 1:** Baseline Option	**BPO 5**: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	**BPO 6:** Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Adequate Facilities	2	3	2
Timeliness	1	4	3
Availability of Care	2	4	3
Use of Facility	3	5	4
Campus Environment	2	5	4
Total Concerns:	**10**	**21**	**16**

As was previously the case, only a limited number of stakeholders chose the comment form as their method of providing input to the study. The 8 stakeholders who used this method expressed the most concerns about BPO 5, which replaces all facilities on the southeastern part of the campus. For BPO 5, stakeholder concerns were fairly evenly distributed among all concern categories, with the highest number of concerns about "Use of Facility" and "Campus Environment". Stakeholders expressed the fewest number of concerns overall about BPO 1 which is the Baseline option. This suggests that overall there is a desire to maintain the current facilities on the Lexington campus.

For all BPOs, the "Use of Facility" category drew the largest number of comments (concerns about whether the option makes good use of existing land and facilities). For both BPO 5 and BPO 6, which replace current facilities, stakeholders also expressed concern about "Timeliness" (concerns about the length of time to finish construction called for by this option), "Availability of Care" (concerns that construction will disrupt the healthcare currently provided) and "Campus Environment" (concerns that this option will disrupt the historic quality or the natural setting of the current campus). The limited number of submitted comment forms indicates that for all options stakeholders are most concerned about reuse possibilities and there is unease about possible changes in the campus environment at Lexington.

Seven veterans, veteran advocates, and other interested parties provided oral testimony at the third LAP meeting. This testimony and other written input, conveyed stakeholder views that they greatly value the scenic quality of the current Lexington campus and desire to maintain the current facility. The following excerpts are representative of this stakeholder viewpoint:

> "The Lexington campus is one of the most beautiful campus's around. Every effort should be made to renovate the buildings at whatever cost. It doesn't seem to matter what moneys are spent overseas and the veterans deserve the best. I used to walk around the campus every day and enjoyed the beauty and peacefulness. THE LAND DOES NOT NEED TO BE LEASED OR SOLD AT ANY COST. The green space is needed. There is so little of it left." - Excerpt from comment form received

> "I've received care at this facility for several years and have found it and the staff more than satisfactory. Some updating of current buildings would be acceptable. Continued maintenance would keep this facility useful for many more years." - Excerpt from comment form received

Summary of LAP Meeting 4 Stakeholder and LAP Input

A fourth and final period for submitting electronic or written comments on the Lexington BPOs began January 24, 2007 on the day that the Team PwC Stage II Preliminary Report was posted to the website and released to the public, and ended on February 15, 2007, 14 days after the fourth LAP meeting. Approximately 25 members of the public attended the fourth LAP meeting held on February 1, 2007, and a total of 17 forms of stakeholder input (oral, written, and electronic)

were received between January 24 and February 15, 2007. The following table summarizes general stakeholders comments received during this period:

Table 47: General Stakeholder Comments for Stakeholder Input Period 4

Comment Topic	Total Times Stakeholders Voiced General Comments	Percentage of Total General Comments Voiced
Adequate Facilities	6	21%
Availability of Care	3	10%
Campus Environment	4	14%
Use of Government Resources	3	10%
Use of Facility	4	14%
Other	9	31%

For the fourth LAP meeting a comment form similar to the one used during earlier input periods was available to stakeholders describing the options being studied in Stage II. This comment form was available electronically on the VA CARES project website (www.va.gov/CARES) as well as in paper form at the fourth LAP public meeting, and it invited stakeholders to indicate support for each option and if they agree with the following attributes of each option.

Table 48: LAP Meeting 4 Comment Form Results - Stakeholder Support for BPOs

Category of Support	Definition
Adequate Facilities	The option will provide a modern facility that will meet future healthcare needs.
Availability of Care	The option will make care received more convenient.
Campus Environment	The option will maintain or enhance the campus setting.
Use of Government Resources	The option makes good use of government resources.
Use of Facility	The option will make good use of land and facilities.
Other	Any other reason to support or not support this option.

Of the 17 forms of stakeholder input received during the input collection period, 9 of those were electronic and paper comment forms specific to the Stage II study options. The feedback received from these comment forms is summarized in the following tables:

Table 49: LAP Meeting 4 Comment Form Results - Categories Stakeholder Support for BPOs

		Support by BPO		
Stakeholder Support		**BPO 1:** Baseline Option	**BPO 5**: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	**BPO 6:** Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Stakeholders who support the BPO	Number	2	6	2
	% of Total Forms (9)	22%	67%	22%
Stakeholders who do not support the BPO	Number	5	2	5
	% of Total Forms (9)	56%	22%	56%

Table 50: LAP Meeting 4 Categories Stakeholder Support for BPOs

	Reasons why stakeholders support the BPOs		
Categories of Support	**BPO 1:** Baseline Option	**BPO 5**: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	**BPO 6:** Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Adequate Facilities	3	5	3
Availability of Care	2	5	2
Campus Environment	3	4	2
Use of Government Resources	3	5	2
Use of Facility	3	5	3
Other	4	3	3
Total Indications of Stakeholder Support:	**18**	**27**	**15**

As was previously the case, only a limited number of stakeholders chose the comment form as their method of providing input to the study. The 9 stakeholders who used this method expressed the most support for BPO 5, which replaces all facilities on the southeastern part of the campus. This was in contrast to the third LAP meeting where stakeholders expressed the most concern regarding BPO 5. Stakeholders indicated multiple reasons for supporting BPO 5, including that it provides modern facilities that meet future healthcare needs, makes care received more convenient, and is a good use of land, facilities, and government resources. Stakeholders expressed the least support for BPOs 1 and 6, which is a change in sentiment from LAP meetings 2 and 3 when BPO 1 was the preferred option of many stakeholders. This suggests that after release of the Stage II Preliminary Report and the fourth LAP meeting there was much less unease about possible changes on the campus and stakeholders shifted their position to support the construction of new facilities on the southeast portion of the campus.

Seven veterans, veteran advocates, and other interested parties provided oral testimony at the third LAP meeting. This testimony and other written input conveyed that stakeholders support the construction of new facilities on campus and reuse of the existing facilities for uses beneficial to veterans, however more land should be retained on campus surrounding the new facilities than is currently proposed in BPOs 5 and 6. The following excerpts are representative of this stakeholder viewpoint:

> "I think the location is great and the property is beautiful. A compromise of being sensitive to the existing campus with new, more appropriate construction for modern facilities at a lower cost is the best solution as the report indicates." - Excerpt from comment form received

> "I was at the public meeting the 1st of Feb. I agree with #5 with more land. Include the main entry at Building # 1 and the other entry formerly to Building #5 as that will create a "loop" road and easier access. Place the clinical buildings up front, set back the same distance as Building #1, with parking up front and beds in the rear facing the views of the

creek. Let the remainder of the site be used as "buffer" from the school and National Guard Amory." - Excerpt from comment form received

"Build NEW "State of the Art" facilities on South part of present campus. Preserve current main building and other SOUND structures to be used for auxiliary services. Demolish older unusable buildings for parking lots. Make PARK LIKE use on the rest of the land including small pond, walking trails, and related activities for veterans using the facility. AVOID commercial use of the property unless it directly effects the patients on site." - Excerpt from comment form received

Summary

Aggregate analysis of the stakeholder and LAP feedback from the input periods surrounding the second, third and fourth LAP meetings input indicates the level of overall support as well as considerations for implementation of each of the BPOs studied in Stage II. It should be noted that at LAP 4 there was a shift in stakeholder and LAP preference from BPO 1 to BPO 5. This change in perspective is described in more detail in the table below.

Table 51: LAP Stakeholder and LAP Support for Options

BPO	LAP MEETING 2	LAP MEETING 3	LAP MEETING 4
BPO 1: Baseline Option	**Stakeholder Input:**		
	▪ Many stakeholders conveyed support for the Baseline option and remarked on the scenic quality of the current Lexington campus and their desire to maintain the current facility. ▪ The comment form results indicated that most stakeholders "most support" the Baseline option.	▪ Stakeholders reiterated support for the Baseline option and remarked on the scenic quality of the current Lexington campus and their desire to maintain the current facility. ▪ The comment form results indicate stakeholders have the least amount of concern regarding the Baseline option.	▪ Stakeholders "least support" the Baseline BPO as it costs the most and does not provide new state-of-the-art facilities.
	LAP Input:		
	▪ The LAP members voted unanimously in favor of studying the Baseline option in Stage II. This was, in part, because they had been made aware that the Baseline option had to move forward.	▪ The LAP expressed support for the Baseline option and some members of the LAP commented on the advantages of the Baseline option, such as the preservation of the scenic Lexington campus.	▪ The LAP agreed with stakeholders that the Baseline is the least preferred BPO because it is the most expensive, does not allow for adjacency of services, maintains the most underutilized space, and renovated buildings will not provide effective medical settings capable of meeting current and future needs.

BPO	LAP MEETING 2	LAP MEETING 3	LAP MEETING 4
BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	**Stakeholder Input:**		
	▪ Many stakeholders expressed concern for BPO 5 and opposed options that replace current facilities. ▪ Comment form input indicated that stakeholders are not in favor of this option.	▪ Stakeholders reiterated their concern for BPO 5 and opposed options that replace current facilities. ▪ Comment form input indicates that stakeholders have the most concerns regarding this option.	▪ Stakeholders "most support" BPO 5 as it is the most cost effective, provides new facilities, and leaves historic buildings for preservation and reuse. ▪ Stakeholders feel that more acreage should be retained surrounding the new facilities.
	LAP Input:		
	▪ BPO 5 was not seconded by the LAP for voting.	▪ The LAP indicated concerns with BPO 5 regarding the compatibility of potential reuse options with the VA mission. ▪ Specific concerns expressed included vehicular access and parking, continuity of care issues during transfer of services to the new facility, and ensuring that enough land is retained or lease terms are short enough so that VA can expand facilities in the future if necessary.	▪ The LAP agrees with stakeholders that BPO 5 is the "most preferred" BPO as it provides new facilities, is the least expensive, has the shortest duration, is least disruptive to patients, and the campus is centralized with a new entrance. ▪ The LAP emphasized that more acreage should be retained surrounding the new facilities for potential future expansion and consideration for current affiliate programs be maintained on the campus in some manner.

BPO	LAP MEETING 2	LAP MEETING 3	LAP MEETING 4
BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus	**Stakeholder Input:**		
	▪ Many stakeholders expressed concern for all options that replace current facilities.	▪ Stakeholders were able to comment on BPO 6 for the first time during the input period surrounding LAP 3. ▪ Stakeholders reiterated concern about BPO 6 by discouraging all options that replace current facilities (new construction for clinical buildings.) ▪ The comment form input indicates that stakeholders have more concern about BPO 6 than the Baseline, but less concern about BPO 6 than BPO 5.	▪ Stakeholders support BPO 6 more than BPO 1 but less than BPO 5. It provides new facilities and leaves historic buildings for preservation and reuse, but is more costly and has a longer duration than BPO 5. ▪ As with BPO 5 stakeholders feel that more acreage should be retained surrounding the new facilities.
	LAP Input:		
	▪ The LAP members proposed this option to achieve a more centrally located outpatient clinic and voted 4-2 to recommend BPO 6 for further study in Stage II.	▪ Specific concerns expressed by the LAP regarding BPO 6 included vehicular access and parking, continuity of care issues during transition of services to the new facility, and ensuring that enough land is retained or lease terms are short enough so that VA can expand facilities in the future if necessary.	▪ The LAP agrees with stakeholders that BPO 6 is a better option than BPO 1, but not as preferable as BPO 5. BPO 6 provides new facilities, but has a longer duration, is more complex, requires more demolition, separates support services, and is less attractive for reuse. ▪ The LAP emphasized that more acreage should be retained in BPO 6 for potential future expansion.

Implementation Considerations for BPOs:

Stakeholders and the LAP conveyed concerns that would need to be addressed for successful implementation of each option. These concerns were concentrated around four specific issues:

Reuse of Land and Facilities:
One issue affecting all options is the possible reuse of the Lexington land and facilities. Feedback received indicated that this is a major area of interest in the community, and stakeholders and the LAP articulated that VA should ensure that enough land is retained or lease terms are short enough so that VA can expand facilities in the future if necessary. The enhanced use lease process should encourage potential reuse to align as closely as possible with the VA mission and maintain certain historic structures on the campus. This should be a consideration for successful implementation of all BPOs.

Vehicular Access and Parking:
For all BPOs that replace some or all of the current facilities (BPOs 5 and 6) the LAP and stakeholders expressed concerns about vehicular access to services and the provision of adequate parking on the Lexington campus. For successful implementation of these options the LAP and stakeholders agree that this issue must be addressed.

Continuity of Care:
The LAP expressed concerns regarding continuity of care during renovations or the transition of services to the replacement facilities. A successful implementation plan for these options should include provisions for continuing care throughout the transition.

Provision of Space for State Homeless Veterans Programs:
The LAP expressed the desire to maintain adequate space at the campus to accommodate the current Volunteers of America homeless veteran program. It would be beneficial if this space was provided in some manner via the enhanced use lease terms and process.

8.0 BPO Assessment Summary

The purpose of the Stage II evaluation process was to further compare and contrast the options based upon more detailed analysis of several evaluation criteria. It should be noted that each of the options selected for study in Stage II were previously assessed to be capable of meeting the threshold criteria of: maintaining or improving quality of health care, patient access and cost effectiveness (see Stage I Report).

Working collaboratively with VA management, Team PwC developed five categories of evaluation criteria that were deemed appropriate for Stage II evaluation. The five categories of evaluation criteria are: Capital Planning, Re-use, Use of VA Resources, Ease of Implementation, and Ability to Support Other VA Programs. The following tables show the results of the comparative assessment of the BPOs against the evaluation criteria using a quantitative scale. The evaluation results were used by Team PwC to conduct a trade-off analysis of the relative strengths and weaknesses of each option and to develop implementation plans (described in a separate report).

Capital Planning Assessment

The Capital Planning Assessment involves four evaluation criteria with measurement indicators defined as the following:

1. **Timeliness of completion**
   - **Indicator:** Total duration (Years to complete)
     - The amount of time to complete construction of new or renovated facilities.
2. **Timeliness of urgent corrections:**
   - **Indicator:** Duration (Years to correct code deficiencies, focusing on seismic deficiencies as identified in the CAI)
     - The amount of time to complete safety improvements and render facilities compliant with modern seismic standards. Implements seismic corrections for buildings designated by VA as seismic non-exempt. Where seismic non-exempt buildings are not identified for occupancy in the BPO, these corrections will not be implemented.
3. **Consolidation of underutilized space:**
   - **Indicator:** Percentage of underutilized space
     - The extent to which campus space is used for healthcare delivery. Assesses the percentage variance between the projected ideal total campus BGSF and the projected BPO area. The projected BPO BSGF is a function of the facility condition assessment scores and quantity of the existing buildings altered in the BPO.
4. **Consolidation of vacant space:**
   - **Indicator:** Percentage of vacant space
     - The extent of vacant space remaining on campus at completion of the proposed construction.

The options were assigned scores for each Capital Planning indicator based on the following evaluation scales:

Table 52: BPO Capital Planning Assessment

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Timeliness to Completion	3	3	1
Total Duration	114 months	108 months	162 months
Scale	1 = Significantly longer duration than the Baseline BPO (>24 months longer) 2 = Longer duration than the Baseline BPO (>6 and ≤ 24 months longer) 3 = Similar duration as the Baseline BPO (+/- 6 months) 4 = Shorter duration than the Baseline BPO (>6 and ≤ 24 months shorter) 5 = Significantly shorter duration than the Baseline BPO (>24 months shorter)		
Narrative	Option 6 has a significantly longer duration (>24 months longer) than options 1 and 5. Whereas options 1 and 5 have similar duration. The longer duration of option 6 is because of complex, multi-phased construction and renovation and potential demolition of historic buildings 12 and 29.		
Timeliness of urgent seismic corrections	N/A	N/A	N/A
Duration	N/A	N/A	N/A
Scale	1 = Significantly longer duration than the Baseline BPO (>24 months longer) 2 = Longer duration than the Baseline BPO (>6 and ≤ 24 months longer) 3 = Similar duration as the Baseline BPO (+/- 6 months) 4 = Shorter duration than the Baseline BPO (>6 and ≤ 24 months shorter) 5 = Significantly shorter duration than the Baseline BPO (>24 months shorter)		
Narrative	The priority to expand outpatient capacity on the Leestown campus is the principal driver of the proposed construction phasing. There are no urgent seismic corrections.		
Consolidation of underutilized space	3	5	5
% Change in Underutilized Space	42% increase	0% increase	14% increase
Scale	1 = Significantly less reduction in underutilized space than the Baseline BPO (>20% higher) 2 = Less reduction in underutilized space than the Baseline BPO (>5 and ≤ 20% higher) 3 = Similar reduction in underutilized space as the Baseline BPO (+/- 5%) 4 = Greater reduction in underutilized space than the Baseline BPO (>5 and ≤ 20% lower) 5 = Significantly greater reduction in underutilized space than the Baseline BPO (>20% lower)		
Narrative	Options 5 and 6 have significantly less underutilized space (>20% lower) than the Baseline (option 1). Option 1 creates 42% more underutilized space than the ideal configuration for providing the projected volume of healthcare services, compared to the much smaller increases in the new construction/renovation options.		

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Consolidation of vacant space	3	5	5
% Change in Vacant Space	69% decrease	100% decrease	97% decrease
Scale	1 = Significantly less reduction in vacant space than the Baseline BPO (>20% higher) 2 = Less reduction in vacant space than the Baseline BPO (>5 and ≤ 20% higher) 3 = Similar reduction in vacant space as the Baseline BPO (+/- 5%) 4 = Greater reduction in vacant space than the Baseline BPO (>5 and ≤ 20% lower) 5 = Significantly greater reduction in vacant space than the Baseline BPO (>20% lower)		
Narrative	Options 5 and 6 achieve a significantly greater reduction (>20% lower) in vacant space than the Baseline. This is because under BPO 5 and 6, newly constructed facilities will be sized for future demand. Additionally, under BPO 6, renovated buildings will be used for administrative and support functions which are more adaptable to existing building limitations than clinical functions.		

Re-use Assessment (Source: Pruitt Group)

The Re-use Assessment involves four evaluation criteria with measurement indicators defined as the following:

1. **Market potential for re-use:**
   - **Indicator:** Market potential for re-use
     - Reflects the strength of the local real estate market. Gauges the market appeal of each BPO as well as the overall market appetite for similar projects.
2. **Financial feasibility:**
   - **Indicator:** Financial feasibility
     - The total cash flows each BPO will yield to VA. The financial feasibility utilizes market data to determine a value for each BPO and to generate projected net re-use cash flows for each BPO. A range of financial factors will be considered including demolition costs, capital market conditions, required VA investments, etc.
3. **VA mission enhancement:**
   - **Indicator:** VA mission enhancement
     - A qualitative assessment of how the overall re-use solution may support VA mission. This can include the degree of compatibility that the re-use option has with the existing Medical Center activities, the existence of synergies that benefit both parties, and other potential complimentary elements of the BPO.

4. **Execution Risk:**
   - **Indicator:** Execution Risk
     - The level of complexity and risk required from a real estate perspective to accomplish the deal and deliver the cash flows presented in the highest and best use and financial feasibility option analysis. It encompasses risk factors associated with both market and financial issues, taking into account the local context.

The options were assigned scores for each Re-use indicator based on the following evaluation scales:

Table 53: BPO Re-use Assessment

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Market potential for re-use	3	4	4
Scale	1 = Re-use would not be well received by the market 2 = Market is weak for re-use 3 = Market is adequate for re-use 4 = Market exhibits strength 5 = Market is very strong for re-use		
Narrative	The Lexington Leestown corridor real estate market has been and is increasingly active in the area immediately surrounding the VAMC. Predominant market activity is evident in residential and retail markets, with office and light industrial present in the surrounding area, but not showing much demand in the immediate future. With the surrounding activity and the appeal of the campus and its location, the market potential for any re-use should be adequate. BPO 6 has considerable appeal owing to the retail component and mixed uses. The market for BPO 5 is also very strong with the combination of prime retail and a CCRC community in the core campus.		
Financial feasibility	3	5	4
Scale	1 = Transaction expected to result in negative cash flow 2 = Transaction will generate less than satisfactory cash flows 3 = Transaction will generate marginal cash flows 4 = Transaction will generate material cash flows 5 = Transaction will generate significant cash flows		
Narrative	Because of the value of the existing buildings as well as the construction cost savings through adaptive Re-use of the core campus, BPO 5 will result in the highest financial return. BPO 6 includes all the land available for Re-use that is included in BPO 1A, with additional acreage and frontage on Leestown Road. As a result, BPO 6 will result in higher proceeds than BPO 1A.		
VA mission enhancement	3	5	5
Scale	1 = Least compatible with / provides least enhancement of VA mission 2 = Less compatible with / provides less enhancement of VA mission 3 = Similar compatibility / enhancement of VA mission as other BPOs 4 = More compatible with / provides more enhancement of VA mission 5 = Most compatible with / provides best enhancement of VA mission		
Narrative	BPO 5 is the creation of a CCRC community utilizing the historic campus of Leestown. The residents of the CCRC, if veterans, would be in close proximity of the new VAMC. The VAMC operates from a new facility and the campus aesthetics are retained. In BPO 6, the retail located on Leestown Road could be somewhat compatible but generally would not be considered an enhancement. In addition, BPO 5 and BPO 6 contain light industrial use in the SW portion of the campus which would not be considered an enhancement to VA mission. However, in all BPOs, the presence of senior living / CCRC should be considered compatible with VA mission.		

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Execution risk	4	4	4
Scale	1 = Option presents barriers that cannot be resolved 2 = Option presents significant obstacles that may not be resolvable 3 = Option may present obstacles that are resolvable with some difficulty 4 = Option may have some obstacles, but they should be reasonably resolvable 5 = Option presents no significant obstacles or barriers to execution		
Narrative	All options are free of individually significant obstacles. BPO 5 execution risk primarily includes staging with VA as the campus is vacated, and then working with the current infrastructure and buildings to deliver a fully functional CCRC. Additional execution risk with BPO 5 is attracting a large CCRC provider to develop a facility on site and include site preparation work needed to build on sloping land, and potentially working to gain access through Vo Tech road. BPO 6 execution risk includes ensuring acceptable access to the retail portion of the site on the western portion of Leestown Road. Currently there is only single access to this portion of the site which would likely prove less than optimal. Access is possible through sharing with VA, but that is not certain and poses risks.		

Use of VA Resources Assessment

The Use of VA Resources Assessment involves three evaluation criteria with measurement indicators defined as the following:

1. **Total operating costs:**
   - **Indicator:** Total operating costs ($)
     - Total operating costs in $ including direct variable, fixed direct, and fixed indirect costs associated with a BPO. Operating costs are aggregated for the 30-year study period.
2. **Total capital investment costs:**
   - **Indicator:** Total capital investment costs ($)
     - Total capital investment costs in $ for each BPO over the 30-year study period.
3. **Net present cost:**
   - **Indicator:** Net present cost ($)
     - Annual cash outflow discounted using the overall discount rate so that a particular BPO's cash outflows can be valued on a relative basis as compared to other BPOs.

The options were assigned scores for each Use of VA Resources indicator based on the following evaluation scales:

Table 54: BPO Use of VA Resources

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Total operating costs	3	3	3
Actual Value	$852,005,000	$833,246,000	$832,613,000
Scale	1 = Financial analysis metric for the BPO is greater than 114% of the Baseline BPO 2 = Financial analysis metric for the BPO is 105 - 114% of the Baseline BPO 3 = Financial analysis metric for the BPO is 95 - 104% of the Baseline BPO 4 = Financial analysis metric for the BPO is 85 - 94% of the Baseline BPO 5 = Financial analysis metric for the BPO is less than 85% of the Baseline BPO		
Narrative	Operating costs for the options are within 5% of the Baseline option. The small variation across the options is due to the differences in retained land and gross building square footage, as well as the lower cost of contracted care during the renovations for option 6.		
Total capital investment costs	3	5	3
Actual Value	$112,521,000	$67,967,000	$106,659,000
Scale	1 = Financial analysis metric for the BPO is greater than 114% of the Baseline BPO 2 = Financial analysis metric for the BPO is 105 - 114% of the Baseline BPO 3 = Financial analysis metric for the BPO is 95 - 104% of the Baseline BPO 4 = Financial analysis metric for the BPO is 85 - 94% of the Baseline BPO 5 = Financial analysis metric for the BPO is less than 85% of the Baseline BPO		
Narrative	The capital investment cost of option 5 is 40% lower than the Baseline option and 36% lower than option 6. This is because option 1 requires extensive renovation and a significantly larger building square footage to achieve a modern safe and secure environment and option 6 requires both complex renovation and new construction.		
Net present cost	3	4	3
Actual Value	$970,667,000	$904,908,000	$943,438,000
Scale	1 = Financial analysis metric for the BPO is greater than 114% of the Baseline BPO 2 = Financial analysis metric for the BPO is 105 - 114% of the Baseline BPO 3 = Financial analysis metric for the BPO is 95 - 104% of the Baseline BPO 4 = Financial analysis metric for the BPO is 85 - 94% of the Baseline BPO 5 = Financial analysis metric for the BPO is less than 85% of the Baseline BPO		
Narrative	The net present cost of option 5 is 6% lower than the Baseline option and 4% lower than option 6. This is because of slightly lower capital investment costs, lower operating costs and higher re-use proceeds.		

Ease of Implementation

The Lexington Ease of Implementation Assessment involves two evaluation criteria with measurement indicators defined as the following:

1. **Re-use considerations:**
   - **Indicators:**
     a) Community Support:
        - A qualitative assessment reflecting the degree of community support for the option. This includes the potential use of the option and how that fits with what the community perceives as their needs. Community support also reflects political support or opposition to each option.

     b) Legal / regulatory
        - This captures all legal and regulatory issues faced by each option, including zoning, environmental, historic considerations, title encumbrances and any other site restrictions that may impact the option.

2. **Capital planning considerations:**
   - **Indicators:**
     a) Size and complexity of capital plan
        - This captures four indicators of the extent to which campus facilities will be impacted by the capital plans for a given BPO: The number of capital projects associated with the BPO; the percentage campus area change as projected by the BPO; the total duration of the capital projects; and the overall capital investment cost for the BPO.

     b) Number and frequency of patient moves (quantity of clinical buildings altered)
        - The extent to which clinical buildings will be impacted by the capital plans for a given BPO. Provides an assessment of the total quantity of buildings altered in the BPO where patients (clinical space) are impacted. It is assumed that any construction activities in existing buildings will disrupt typical patient care activities and that these activities will require relocation to maintain acceptable levels of patient satisfaction.

     c) Number of historic buildings altered (total historic buildings altered)
        - The extent to which there are historical considerations in implementing the capital plans for a given BPO. Assesses the total quantity of historic buildings altered in the BPO.

The options were assigned scores for each Ease of Implementation indicator based on the following evaluation scales. Each indicator was given a score for "Negative Impact" as well as "Likelihood of Negative Impact":

Table 55: BPO Ease of Implementation Assessment

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Re-use Consideration: Community Support (Source: Pruitt Group)			
Score for Negative Impact	4	4	3
Scale for Negative Impact	For Community Support: 1 = Option has strong community resistance with at most limited support 2 = Option has greater community resistance than support 3 = Option has a balance of community support and resistance 4 = Option has greater community support than resistance 5 = Option has strong community support with at most limited resistance		
Narrative	BPO 1A is favored by the community as it appears to represent status quo. In reality, BPO 1A will result in major changes to the campus, but that appears to be not evident in remarks made. If BPO 5 were chosen, the community will likely support the Re-use as it is the option that allows for the core campus aesthetic to be retained. BPO 6 is moderate, in that VA will retain the campus (again in reality that will likely require major changes to the buildings) and there will likely be some resistance to the Re-use proposed on the western half of the campus which will be adjacent to the VA retained area.		
Score for Likelihood of Negative Impact	5	4	4
Scale for Likelihood of Negative Impact	1 = Option has high likelihood of community resistance 3 = Option has moderate likelihood of community resistance 5 = Option has low likelihood of community resistance		
Narrative	While there exists a group of vocal and passionate members of the veteran's community, no political figure appears to be present and voicing opinions regarding the CARES project. The absence of any organized interest in the CARES process at Lexington leads to the conclusion that there is little likelihood of strong resistance to any one option. Otherwise put, the absence of political or grass root groups vocalizing concerns seems to suggest that all options are reasonably well received by the community.		

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Re-use Consideration: Legal / Regulatory (Source: Pruitt Group)			
Score for Negative Impact	4	4	4
Scale for Negative Impact	1 = Option has obstacles that cannot be resolved 2 = Option has significant obstacles that may not be resolvable 3 = Option may have obstacles that are resolvable with some difficulty 4 = Option may have some obstacles, but they should be reasonably resolvable 5 = Option has no significant legal/regulatory obstacles		
Narrative	All options are reasonably clear of legal or regulatory obstacles. The obstacles identified tend towards ensuring that favorable zoning is agreed to by the city. All other uses are either within the current character of the site or of the surrounding areas. The other issues noted are those issues faced regarding vehicular access to the site.		
Score for Likelihood of Negative Impact	3	3	3
Scale for Likelihood of Negative Impact	For Legal and Regulatory: 1 = Option has high likelihood of encountering legal or regulatory obstacles 3 = Option has moderate likelihood of encountering legal or regulatory obstacles 5 = Option has a low likelihood of encountering legal or regulatory obstacles		
Narrative	Given the land use changes anticipated, there is a likelihood of regulatory involvement. There is a high likelihood of other regulatory involvement here as well.		
Capital Planning Considerations: Size and complexity of capital plan			
Score for Negative Impact	3	4	2
Scale for Negative Impact	1 = High potential negative impact 3 = Medium potential negative impact 5 = Low potential negative impact		
Score for Likelihood of Negative Impact	3	4	2
Scale for Likelihood of Negative Impact	1 = High likelihood of occurrence of negative impact 3 = Medium likelihood of occurrence of negative impact 5 = Low likelihood of occurrence of negative impact		
Narrative	Option 5 has the least amount of complexity. This is due to the comparatively short duration and the smaller number of capital projects involved that can be performed in a distinct area of the site. Option 6 has the most complexity, which is due to the complex, multi-phased renovations / construction and long duration.		
Capital Planning Considerations: Number of historic buildings altered			
Score for Negative Impact	2	2	2
Scale for Negative Impact	1 = High potential negative impact 3 = Medium potential negative impact 5 = Low potential negative impact		
Score for Likelihood of Negative Impact	2	2	2
Scale for Likelihood of Negative Impact	1 = High likelihood of occurrence of negative impact 3 = Medium likelihood of occurrence of negative impact 5 = Low likelihood of occurrence of negative impact		
Narrative	The same number (15) of historic buildings are renovated, demolished or made available fore re-use under each option. The relatively high number of historic buildings involved in each option assumes a moderately high likelihood of negative impact to the time and cost of implementation.		

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Capital Planning Considerations: Number and frequency of patient moves			
Score for Negative Impact	3	5	3
Scale for Negative Impact	1 = High potential negative impact 3 = Medium potential negative impact 5 = Low potential negative impact		
Score for Likelihood of Negative Impact	3	5	3
Scale for Likelihood of Negative Impact	1 = High likelihood of occurrence of negative impact 3 = Medium likelihood of occurrence of negative impact 5 = Low likelihood of occurrence of negative impact		
Narrative	Option 5 has the least amount of patient disruption. In contrast, options 1 and 6 assume a moderate likelihood of negative impact to patients given the complex phasing of renovations and/or new construction. The potential patient disruption will need to be considered in implementation planning efforts.		

Ability to Support Other VA Programs

The Use of Ability to Support Other VA Programs Assessment involves four evaluation criteria with measurement indicators defined as the following:

1. **DoD sharing:**
   - **Indicator:** MOUs impacted by BPO
     - The extent to which Memoranda of Understanding with DoD partners (for sharing agreements) are enhanced by the BPO.
2. **One VA integration:**
   - **Indicator:** VBA and NCA impacted by BPO
     - The extent to which each BPO will enhance existing One-VA co-locations or facilitate the establishment of new co-locations.
3. **Specialized VA programs:**
   - **Indicator:** Specialized Care/COE impacted by BPO
     - The extent to which the BPOs enhance specialized care (e.g., chronic spinal cord injury treatment, Alzheimer's treatment, etc.) or Centers of Excellence (e.g., GRECC, GEM, etc.) as defined by VA.
4. **Enhancement of services to veterans:**
   - **Indicator:** Services in kind
     - Extent to which each BPO directly and indirectly provides enhancement to VA services. This may often be achieved through providing in-kind services. In addition, this may be achieved through upgrading of general services on campus It may also involve uses that by proximity enhance the overall ability of the Center to offer its veterans convenient complementary services.

The options were assigned scores for each Ability to Support VA Programs indicator based on the following evaluation scales:

Table 56: BPO Ability to Support Other VA Programs Assessment

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
DoD sharing	N/A	N/A	N/A
Scale	1 = The BPO has the potential to provide the least enhancement relative to the Baseline BPO for the specific criterion 2 = The BPO has the potential to provide less enhancement relative to the Baseline BPO for the specific criterion 3 = The BPO has the potential to provide enhancement equivalent to the Baseline BPO for the specific criterion 4 = The BPO has the potential to provide more enhancement relative to the Baseline BPO for the specific criterion 5 = The BPO has the potential to provide the most enhancement relative to the Baseline BPO for the specific criterion		
Narrative	As all services are to remain at the Leestown campus, it is assumed that the current DoD service sharing agreement would not be impacted by the options.		
One VA integration	N/A	N/A	N/A
Scale	1 = The BPO has the potential to provide the least enhancement relative to the Baseline BPO for the specific criterion 2 = The BPO has the potential to provide less enhancement relative to the Baseline BPO for the specific criterion 3 = The BPO has the potential to provide enhancement equivalent to the Baseline BPO for the specific criterion 4 = The BPO has the potential to provide more enhancement relative to the Baseline BPO for the specific criterion 5 = The BPO has the potential to provide the most enhancement relative to the Baseline BPO for the specific criterion		
Narrative	In each option, the area VBA and NCA offices remain at their respective locations in Louisville and Lexington, and they are not co-located with the VAMC on the Leestown campus. There is no impact on One-VA Integration.		
Specialized VA programs	N/A	N/A	N/A
Scale	1 = The BPO has the potential to provide the least enhancement relative to the Baseline BPO for the specific criterion 2 = The BPO has the potential to provide less enhancement relative to the Baseline BPO for the specific criterion 3 = The BPO has the potential to provide enhancement equivalent to the Baseline BPO for the specific criterion 4 = The BPO has the potential to provide more enhancement relative to the Baseline BPO for the specific criterion 5 = The BPO has the potential to provide the most enhancement relative to the Baseline BPO for the specific criterion		
Narrative	Polytrauma is a proposed program. Due to the amount of vacant space on the Leestown campus, there should be adequate square footage to accommodate this new service if it moves forward.		

Evaluation Criteria	BPO 1: Baseline Option	BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus	BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus
Enhancement of services to veterans	N/A	N/A	N/A
Scale	1 = The BPO has the potential to provide the least enhancement relative to the Baseline BPO for the specific criterion 2 = The BPO has the potential to provide less enhancement relative to the Baseline BPO for the specific criterion 3 = The BPO has the potential to provide enhancement equivalent to the Baseline BPO for the specific criterion 4 = The BPO has the potential to provide more enhancement relative to the Baseline BPO for the specific criterion 5 = The BPO has the potential to provide the most enhancement relative to the Baseline BPO for the specific criterion		
Narrative	There are no proposed enhancements to services for the Leestown campus, thus there is no impact in the options.		

9.0 BPO Tradeoff Analysis

The purpose of the Trade-off Analysis is to provide VA decision makers with a balanced discussion of the strengths and weaknesses to be considered in deciding upon an option to implement. Team PwC compared and contrasted the evaluation criteria for each option (presented in Chapter 8) together with the results of stakeholder and LAP input. Note that each of the options selected for study in Stage II were previously assessed to be capable of meeting the threshold criteria of: maintaining or improving quality of health care, patient access and cost effectiveness (see Stage I Report).

The following section displays each option's relative strengths and weaknesses in the evaluation categories of: Capital Planning, Re-use, Use of VA Resources, Ease of Implementation, and Stakeholder and LAP Input. A sixth evaluation category, Support for Other VA Programs (see Chapter 6), has a minor impact only on the Lexington study.

BPO 1: Baseline

Table 57: BPO 1 - Tradeoff Analysis

Capital Planning	
Strengths	• The duration of renovations in the Baseline is similar to renovations in option 6, but longer than new construction in option 5.
Weaknesses	• Due to the limitations of construction in the Baseline, the option does not address the narrow floor plates and shallow floor-to-floor heights, which can be rectified in the other options. • Similarly, the option does not address the large surplus of underutilized space (182,000 square feet) which can be removed in the other options.
Use of VA Resources	
Strengths	• There are no strengths in the Baseline relative to the other options.
Weaknesses	• Greater capital expenditure is required for the Baseline renovations than new construction in option 5. • Similarly, the Baseline results in greater overall net present cost than new construction.
Ease of Implementation	
Strengths	• There are no strengths in the Baseline relative to the other options.
Weaknesses	• The multi-phased construction project is characterized by significant complexity. • Renovations to existing buildings will cause moderate disruption to patient services that could otherwise be mitigated through a phased, coordinated transition to newly constructed space.
Stakeholder & LAP Input	
Strengths	• There are no strengths in the Baseline relative to the other options.
Weaknesses	• Stakeholders and the LAP "least support" this BPO because it costs the most, does not allow for adjacency of services, creates the most underutilized space and does not provide new state-of-the-art facilities.

BPO 1A: Baseline Option with Re-Use

Table 58: BPO 1A - Tradeoff Analysis

Re-Use	
Strengths	• Option presents fewer potential obstacles to execution relative to option 5
Weaknesses	• Although deemed adequate for re-use, this option has the lowest market potential, financial feasibility, and potential to enhance VA mission, relative to options 5 and 6.
Ease of Implementation	
Strengths	• There are no strengths in the Baseline relative to the other options.
Weaknesses	• There are no weaknesses in the Baseline relative to the other options.

BPO 5: Build New Clinical and Administrative Facilities on Southeast Portion of Campus

Table 59: BPO 5 - Tradeoff Analysis

Capital Planning	
Strengths	• The new facility eliminates underutilized and vacant space (100% decrease in vacant space and no underutilized space), providing for the most efficient configuration given future healthcare demand. • The new construction results in the shortest duration (108 months), which is six months shorter than Baseline and 54 months shorter than option 6.
Weaknesses	• There are no weaknesses in option 5 relative to the other options
Re-Use	
Strengths	• This option results in the highest re-use proceeds • The market for option 5 is strong, with the potential combination of prime retail and a CCRC community in the core campus • Senior living/CCRC uses are compatible with VA mission
Weaknesses	• This option features some difficulty in execution, however, not more than either of the two options.
Use of VA Resources	
Strengths	• Option 5 results in the lowest net present cost ($905 million) and lowest total capital expenditure ($68 million) relative to the other options. • The option also produces the highest re-use proceeds
Weaknesses	• There are no weaknesses in option 5 relative to the other options
Ease of Implementation	
Strengths	• Option 5 is characterized by the least complex construction phasing and fewest patient moves than the renovations in Baseline and BPO 6.
Weaknesses	• There are no weaknesses in BPO 5 relative to the other options.
Stakeholder & LAP Input	
Strengths	• Stakeholders and the LAP "most support" BPO 5 because it is cost effective, provides new facilities, has the shortest duration and least disruption to patients, and leaves historic buildings for preservation and reuse.
Weaknesses	• The LAP emphasized that more acreage should be retained by VA for potential future expansion and other programs.

BPO 6: Build New Clinical Care Facilities and Renovate Admin. Buildings on Central Portion of Campus

Table 60: BPO 6 - Tradeoff Analysis

Capital Planning	
Strengths	• Achieves significantly greater reduction in vacant space (97%) and underutilized space relative to Baseline, although less than option 5 (by 3%).
Weaknesses	• This option has the longest total duration (162 months), which is 48 months longer than the Baseline option and 54 months longer than new construction in option 5.
Re-Use	
Strengths	• This option results in higher re-use proceeds than the alternate Baseline option, however not as much as option 5. • Similar to option 5, the market exhibits greater strength for re-use in option 6 than the Baseline, and the senior living/CCRC uses are compatible with VA mission.
Weaknesses	• There are no weaknesses in option 6 relative to the other options
Use of VA Resources	
Strengths	• There are no significant strengths in option 6 relative to the other options, however, the option does result in slightly lower operating costs, capital investment, and overall net present cost than the Baseline.
Weaknesses	• Lower re-use proceeds are estimated for option 6 as compared to option 5.
Ease of Implementation	
Strengths	• There are no strengths in option 6 relative to the other options.
Weaknesses	• The multi-phased construction project of option 6 has with the most significant complexity and the highest risk of disruption to patients (in-building renovation).
Stakeholder & LAP Input	
Strengths	• Stakeholders and the LAP favor this option over BPO 1 because it provides new facilities
Weaknesses	• Stakeholders and the LAP noted that this option takes longer to implement than BPO 5 and has other draw backs including: greater complexity, more demolition, and separate support services, and insufficient land retained by VA for potential future expansion.

Summary

Based on the results of Stage II, each of the options was found to have relative merits and varying levels of support from stakeholders. The Baseline option renovates existing buildings to provide a modern, safe, and secure environment to accommodate the projected 2023 utilization. The baseline option has several limitations from a capital, re-use, financial, and implementation perspective. Given the limitations on construction in the Baseline, the space at the Leestown campus cannot be optimally configured for future use. Additionally, the renovations across the campus are complex and pose inconveniences for patients while these are being conducted in 13 clinical buildings. These renovations require more capital investment than the other options. This option results in higher operating costs and overall net present costs than the other options. Although an alternate Baseline does include re-use for Parcels 1, 2, and 5, the estimated proceeds for this option are the lowest of any option. Finally, stakeholders and the LAP expressed concerns about several features of the baseline option: it costs the most, does not allow for adjacency of services, creates the most underutilized space and does not provide new state-of-the-art facilities for veterans and staff.

BPO 5 has several advantages over the baseline option. The new construction can achieve the most optimal configuration of space and thereby eliminate vacant and underutilized space. The construction can be completed in the shortest amount of time, is a relatively less complex project, and allows for a coordinated move into the new facilities once completed which is preferred to renovating around patients. By moving all of the facilities to the eastern part of the campus, this makes available for Parcels 3 – 6 for re-use. The re-use potential for these parcels in the Leestown market is greatest for BPO 5, resulting in the highest estimated re-use proceeds. Furthermore, the new construction actually requires the least capital investment and lowest overall net present cost of any of the options. BPO 5 also is the most preferred by stakeholders and the LAP. They cited several positive features of this option: it is cost effective, provides new state-of-the-art facilities for veterans and staff, has the shortest duration and least disruption to patients, and leaves historic buildings for preservation and reuse. On the other hand, they raised concerns about the importance of retaining sufficient land for potential future expansion.

BPO 6 is a combination of both new construction and renovation of existing buildings on the central portion of the campus. Through this option, there is opportunity to reduce vacant and underutilized space as in BPO 5; however, the renovations result in a project of greater length compared to the Baseline and complex phasing of renovations that are likely to disrupt patient care. The re-use of Parcels 1, 2, 3, and 5 results in re-use proceeds higher than those in the Baseline, but lower than those estimated for option 5. BPO 6 results in similar financial outcomes as the Baseline that also requires primarily renovations to the capital plan. Stakeholders and the LAP favor this option over BPO 1 because it provides new state-of-the-art facilities. However, stakeholders and the LAP noted that this option takes longer to implement than BPO 5 and has other draw backs including: greater complexity, more demolition, and separate support services, and insufficient land retained by VA for potential future expansion.

Appendices

Appendix A - Other Relevant Documents

Other relevant documents include the following:

- The report entitled, *Enhanced Use Lease Property Re-use/Redevelopment Plan Phase Three Re-Use/Redevelopment Report* on the Leestown Campus of the Lexington, Kentucky VAMC developed by OGC Pruitt Group EUL, LLC. This report is available on the VA's Office of Asset Enterprise Management website.
- The document entitled, *Stage II Assumption, Inputs and Outputs* written by Team PwC.
- BPO Implementation Plan and Risk Mitigation Strategies

Appendix B - Detailed Stage II Methodology

Overview

This section provides an overview of the methodology employed in Stage II of the CARES study. In Stage I, Team PwC in collaboration with Other Government Contractors (OGCs) for Re-use studies[5], developed and assessed a broad range of potentially viable business plan options (BPOs) that met the forecast healthcare needs for the study sites. Based upon an initial assessment of these BPOs, Team PwC recommended up to six BPOs to be taken forward for further development and assessment in Stage II, and VA selected the specific BPOs to be studied further. In Stage II, Team PwC and OGCs will conduct a more detailed assessment of the short-listed BPOs in order to provide VA decision makers with an evaluation of each BPO and its relative merits.

In Stage II, Team PwC and OGCs will collect additional data on a set of evaluation criteria and conduct additional capital planning, re-use, and financial analysis for each BPO. The results will be used to compare BPOs and to evaluate the relative strengths and weaknesses of each BPO. Finally, an implementation plan featuring risk mitigation strategies will be developed for each BPO.

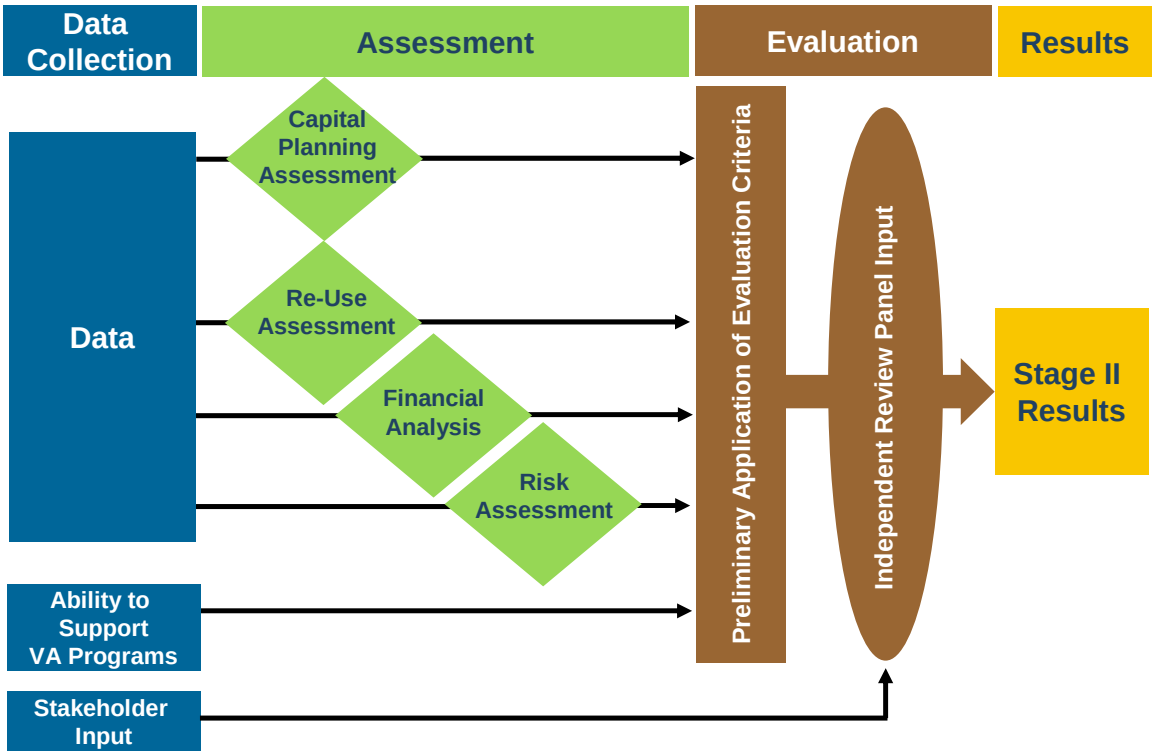
The Stage II study will be organized around the following evaluation categories:

- Capital Planning
- Use of VA Resources
- Ability to Support Other VA Programs
- Re-Use
- Ease of Implementation
- Stakeholder Input

The Stage II study process will consist of four primary steps, Data Collection, Assessment, Evaluation, and Stage II Results, as depicted in Figure 1.

[5] In both Stage I and II, OGCs complete the Re-use studies for comprehensive capital planning sites. Team PwC completes the Re-use studies for healthcare planning sites.

Figure 1: Overview of Stage II Methodology



The Data Collection process will be used to augment study data gathered in Stage I. This data will provide the inputs to the BPO assessment. During the data collection step, Team PwC will confirm existing Stage I data and collect new data in order to refine the BPOs and complete the assessments for each evaluation category. The Capital Planning team will obtain such information as updated building scores, healthcare utilization, and space projection factors, while the Re-use team will obtain additional information regarding the real estate market, such as rents and sales prices. The Use of VA Resources team will validate and update VA costs of care and collaborate with the Capital Planning and Re-use team to understand the capital investment needs and potential re-use revenues associated with each BPO. The Ease of Implementation team will obtain data and information to validate the impacts on academic affiliations and education programs, in addition to potential staffing complements under each BPO. The Ease of Implementation team will work with the Capital Planning and Re-use teams to understand the implementation considerations for each BPO and develop strategies to mitigate implementation risks. Site teams will review information about Ability to Support VA Programs and potential services in kind to determine how they might be impacted by the implementation of the BPOs.

Parallel to the data gathering activities, Team PwC will solicit input from stakeholders on their comments and concerns for each BPO. Stakeholder input will include written correspondence received through a central mail stop, oral testimony received through Local Advisory Panel (LAP) public meetings, results of LAP deliberations, and electronic feedback received through the study website.

The Assessment step will involve conducting more detailed analyses of the short-listed BPOs across each evaluation category. The data collected in this initial step will drive the completion of the assessments. The Capital Planning team will use projected utilization and facility information to calculate and allocate space needs for a conceptual site plan, determine the capital investment required, and schedule construction projects. The Re-use team will refine the market assessment as well as the environmental

and regulatory assessments for the property. The Use of VA Resources team will complete a financial analysis to determine the costs, revenues, and savings associated with each BPO, while the Ease of Implementation team will determine risk ratings for each option. The outputs of the Assessment step will be a set of data and findings for each BPO.

The Evaluation step will compare the BPOs against the Baseline option using a set of agreed-upon evaluation criteria, which are described in the following section. The Team PwC and OGC site teams will conduct a preliminary evaluation of each BPO. The independent review panel will provide a sounding board for the preliminary assessment findings and evaluation of each BPO, together with stakeholder input. The BPOs will be evaluated against the evaluation criteria using a quantitative scale in order to discriminate between the BPOs. The evaluation results will be used by site teams and the expert panel to discuss the relative strengths and weaknesses of each BPO and to develop implementation plans. The outputs of the Evaluation step will be the evaluation results for each BPO, a discussion of the merits of each BPO, and an implementation plan and risk mitigation strategies for each BPO. The Stage II Results will be used by VA in its decision making.

Evaluation Criteria

In Stage I, a broad range of BPOs were screened and evaluated according to a set of primary and discriminating criteria. Primary criteria consisted of access, quality of care, and cost effectiveness. Discriminating criteria consisted of healthcare quality, healthcare access, impact on VA and local community, use of VA resources, ease of implementation, and ability to support VA programs.

The Stage I evaluation process resulted in BPOs recommended for further study in Stage II. Each of the BPOs recommended for further study in Stage II met the three primary criteria of access, quality of care, and cost effectiveness. In terms of access and quality of care, each of the BPOs was assessed to meet minimum standards and thresholds. These criteria will not be further studied in Stage II.

The discriminating criteria used in Stage I provided a level of analysis which was sufficient to arrive at recommended BPOs. The purpose of the Stage II evaluation process is to further compare and contrast the BPOs based upon more detailed analysis of several evaluation criteria.

Working collaboratively with VA management, Team PwC developed five categories of evaluation criteria that were deemed appropriate for Stage II evaluation. These five categories of evaluation criteria are: Capital Planning, Re-use, Use of VA Resources, Ease of Implementation, and Ability to Support Other VA Programs. In arriving at these criteria, consideration was given to Stage I criteria and results, discriminating factors of BPOs moving forward for study in Stage II, and the relevance of criteria across sites. Table 53 lists the indicators used to measure each of the evaluation criteria, together with the definition. It should be noted that some criteria, specifically academic affiliations / education and HR / staffing, used to evaluate the impact on local community in Stage I, will be used more appropriately in Stage II to evaluate the ease of implementation.

Table 1: Stage II Evaluation Criteria and Indicators

Evaluation Criteria	Indicator	Definition
Capital Planning		
Timeliness of completion	Total duration (Years to complete)	The amount of time to complete construction of new or renovated facilities.
Timeliness of urgent corrections	Duration (Years to correct code deficiencies, focusing on seismic deficiencies as identified in the CAI)	The amount of time to complete safety improvements and render facilities compliant with modern seismic standards. Implements seismic corrections for buildings designated by VA as seismic non-exempt. Where seismic non-exempt buildings are not identified for occupancy in the BPO, these corrections will not be implemented.
Consolidation of underutilized space	% Underutilized space	The extent to which campus space is used for healthcare delivery. Assesses the percentage variance between the projected ideal total campus BGSF and the projected BPO projected area. The projected BPO BSGF is a function of the facility condition assessment scores and quantity of the existing buildings altered in the BPO.
Consolidation of vacant space	% Vacant space	The extent of vacant space remaining on campus at completion of the proposed construction.
Re-Use		
Market potential for re-use	Market potential for re-use	Reflects the strength of the local real estate market. Gauges the market appeal of each BPO as well as the overall market appetite for similar projects.
Financial feasibility	Financial feasibility	The total cash flows each BPO will yield to VA. The financial feasibility utilizes market data to determine a value for each BPO and to generate projected net re-use cash flows for each BPO. A range of financial factors will be considered including demolition costs, capital market conditions, required VA investments, etc.
VA mission enhancement	VA mission enhancement	A qualitative assessment of how the overall re-use solution may support VA mission. This can include the degree of compatibility that the re-use option has with the existing Medical Center activities, the existence of synergies that benefit both parties, and other potential complimentary elements of the BPO.
Execution risk	Execution risk	The level of complexity and risk required from a real estate perspective to accomplish the deal and deliver the cash flows presented in the highest and best use and financial feasibility option analysis. It encompasses risk factors associated with both market and financial issues, taking into account the local context.
Use of VA Resources		
Total operating costs	Total operating costs ($)	Total operating costs in $ including direct variable, fixed direct, and fixed indirect costs associated with a BPO. Operating costs are aggregated for the 30-year study period.
Total capital investment costs	Total capital investment costs ($)	Total capital investment costs in $ for each BPO over the 30-year study period.
Net present cost	Net present cost ($)	Annual cash outflow discounted using the overall discount rate so that a particular BPO's cash outflows can be valued on a relative basis as compared to other BPOs.
Total considerations	Total considerations (re-use revenues, in-kind, etc.) ($)	Total considerations (re-use proceeds/costs, in-kind considerations, etc.) in $ for each BPO aggregated for the 30-year study period.
Total annual savings	Total annual savings ($)	Annual savings in $ for each BPO over the 30-year study period.

Evaluation Criteria	Indicator	Definition
Ease of Implementation		
Academic affiliations / education*	Number of research programs impacted	The number of research programs (as defined either by disease focus or patient population, as data allows) expected to be negatively impacted due to the change in services provided, facilities, or location.
	% annual research budget impacted	The % of total research budget (as defined by research expenditures for a given fiscal year) expected to be negatively impacted due to the change in services provided, facilities, or location.
	Number of residency programs and residents impacted	The number of residency programs (as defined by medical specialty) and total number of resident positions expected to be negatively impacted due to the change in services provided, facilities, or location.
	Number of faculty with dual appointments impacted	The number of faculty with appointments at both the VAMC and affiliate organizations that would be negatively impacted due to the change in services provided, facilities, or location.
HR / Staffing*	Change in staff (FTEEs)	The net change in the number of staff expected for the BPO.
	Number of staff required to change job site (FTEEs)	The total number of staff that will be required to change working locations and thus commutes.
Re-use considerations	Community support	A qualitative assessment reflecting the degree of community support for the option. This includes the potential use of the option and how that fits with what the community perceives as its needs. Community support also reflects political support or opposition to each option.
	Legal / regulatory	This captures all legal and regulatory issues faced by each option, including zoning, environmental, historic considerations, title encumbrances and any other site restrictions that may impact the option.
Capital planning considerations	Size and complexity of capital plan	This captures four indicators of the extent to which campus facilities will be impacted by the capital plans for a given BPO: The number of capital projects associated with the BPO; the percentage campus area change as projected by the BPO; the total duration of the capital projects; and the overall capital investment cost for the BPO.
	Number and frequency of patient moves (quantity of clinical buildings altered)	The extent to which clinical buildings will be impacted by the capital plans for a given BPO. Provides an assessment of the total quantity of buildings altered in the BPO where patients (clinical space) are impacted. It is assumes that any construction activities in existing buildings will disrupt typical patient care activities and these activities will require relocation to maintain acceptable levels of patient satisfaction.
	Number of historic buildings altered (total historic buildings altered)	The extent to which there are historical considerations in implementing the capital plans for a given BPO. Assesses the total quantity of historic buildings altered in the BPO.

Ability to Support Other VA Programs		
DoD sharing	MOUs impacted by BPO	The extent to which Memoranda of Understanding with DoD partners (for sharing agreements) are enhanced by the BPO.
One VA integration	VBA and NCA impacted by BPO	The extent to which each BPO will enhance existing One-VA co-locations or facilitate the establishment of new co-locations.
Specialized VA programs	Specialized Care/COE impacted by BPO	The extent to which the BPOs enhance specialized care (e.g., chronic spinal cord injury treatment, Alzheimer's treatment, etc.) or Centers of Excellence (e.g., GRECC, GEM, etc.) as defined by VA.
Enhancement of services to veterans	Services in kind	Extent to which each BPO directly and indirectly provides enhancement to VA services. This may often be achieved through providing in-kind services. In addition, this may be achieved through upgrading of general services on campus It may also involve uses that by proximity enhance the overall ability of the Center to offer its veterans convenient complementary services.

* Academic affiliations/education and HR/staffing criteria not assessed at comprehensive capital planning sites, where no healthcare decision is required.

Stage II BPO Assessment and Evaluation Process

In Stage II, Team PwC and OGCs will further study and assess the BPOs using the following evaluation criteria: capital planning, re-use, use of VA resources, ease of implementation, and ability to support VA programs. The following sections describe the inputs and assumptions that will be used to conduct the refined studies as well as the resulting outputs. Finally, the process for evaluating the outputs per the evaluation criteria is provided to illustrate how BPOs will be evaluated relative to each other.

Capital Planning

The Capital Planning study determines projected future site and facility development for the optimum physical configuration for delivery of healthcare services to veterans. In Stage I, the Capital Planning studies determined the placement of facilities within a campus to meet the capital needs for a given BPO. In Stage II, the study will be refined to consider the extent of renovations and new construction needed to optimize proposed locations on the campus.

In order to conduct the analysis, Team PwC will utilize a database to project space needs and allocate square footage according to departmental groups[6] in order to develop a conceptual plan for the campus and determine investment costs. The capital investment requirements will be calculated for the capital plan and appropriate timing and sequencing of construction determined to assist with implementation. The inputs and assumptions to be used in conducting the Capital Planning study, as well as the outputs from the study, are further described below.

[6] Departmental groups identify one or more distinct buildings of similar construction type and functional activities.

Inputs and Assumptions

The basic capital planning inputs for determining physical space need on the campus are identified below:

- **BPOs selected for further study**: The Secretary's Decision dictated the BPOs to be studied further in Stage II. The BPOs include those recommended by Team PwC at the conclusion of Stage I or BPOs introduced by the Secretary to be studied in Stage II. This input will be imperative for all assessments.

- **Departmental utilization data**: Departmental utilization data is based upon projected CARES Implementation Categories (CIC) utilization data approved by VA using FY03 as the Baseline year.

- **Campus site and building plans**: GFI drawings of current site and buildings were provided by VA.

- **Detailed building data**: Building data such as building condition scores, square footages, etc. were provided via the capital asset inventory (CAI) database administered by VA.

A detailed set of assumptions were established in order to conduct the Stage II Capital Planning assessments. These assumptions pertain to such factors as space projection, building scores, historical designation, departmental groupings, etc. Key assumptions are provided below; however, a more detailed listing of assumptions are compiled in the appended assumptions document:

- Minimum space requirements are developed per *AIA Guidelines for Hospitals and Healthcare Facilities 2001 edition*, VA standards, and Team PwC experience.
- Area calculations, condition assessment ratings, major building systems life cycle costing projections, and functional use descriptions associated with existing buildings are based on the VA provided CAI database.
- Where the existing quality of care environment does not address current fire and life safety codes or VA standards of care (such as in the case of multi-bed patient wards), renovation and or new construction is required to provide a modern, safe, and secure environment.
- A period of ten years is required to demolish historical buildings. Submission of all buildings designated as historic will occur for all project sites in 2007. Therefore, the earliest date for demolition of historic buildings will be 2017. The earliest date for renovations to historic buildings will be 2009.
- Buildings with an average facility assessment score from the CAI less than 4.0 are not suitable for clinical occupancy. Buildings with an average score of 3.0 are not suitable for occupancy, and buildings with an average score of 3.0 or less will be vacated or demolished, unless deemed suitable by the consultant.
- The first funding cycle for any new project would occur in the first quarter of 2009.
- Buildings (existing or proposed) that have been identified as being vacated and mothballed will become inoperative.
- Easements for utilities must be maintained for all re-use development activities in options where VA facilities remain and require access to these utilities.
- The maximum number of floors possible for new nursing home facilities will be two.

Outputs

The Capital Planning study will yield the following outputs:

- **Existing current state site plan**: A site plan of the current physical configuration and building distribution of the campus, with narrative description and table of buildings, will be included as a reference for comparing facility changes defined by each of the BPOs.

- **Proposed site plan**: A site plan of the campus, with narrative description, will be generated for each BPO, illustrating the physical configuration and building distribution of the campus in the projection year 2023.

- **Concept plan**: Concept plan of typical floor or stack diagram will only be provided for complex/multi-function buildings with narrative description.

- **Supporting Narrative**: A narrative explaining significant projected area DGSF implications on site, key proposed activities (i.e., parking, site work, historic buildings, phasing issues, rationale for renovations and/or new construction, and re-use parcel distribution), and key implementation milestones.

- **Construction Schedule**: Schedules for construction activities are intended to identify the relative duration of renovation and construction in order to calculate the occupancy date for utilization of space and escalation costs. These schedules provide a base on which the implementation plans will be incorporated. A narrative includes a brief description of the individual building construction projects and indicates the construction sequence and duration for each BPO.

- **Projected BPO cost estimate**: The capital investment required (including both investment expense and periodic maintenance costs) to implement the capital plan will be generated based upon the unit price per square foot. These costs serve as inputs to the financial analysis discussed later in the report.

Evaluation Scale

The evaluation scales for the Capital Planning criteria are described in Table 2. Criteria will be assessed on a 5-point scale using the outputs of the Capital Planning analysis.

Table 2: Evaluation Scale for Capital Planning Evaluation Criteria

Evaluation Criteria/ Indicators	Evaluation Scale	Explanation of Scale
Timeliness of completion: Total Duration (Years to complete)	1 = Significantly longer duration than the Baseline BPO (>24 months longer) 2 = Longer duration than the Baseline BPO (>6 and ≤ 24 months longer) 3 = Similar duration as the Baseline BPO (+/- 6 months) 4 = Shorter duration than the Baseline BPO (>6 and ≤ 24 months shorter) 5 = Significantly shorter duration than the Baseline BPO (>24 months shorter)	An assessment of "1" represents the longest duration to implement the plan, which is least preferred since improvements to healthcare delivery may take a significant amount of time to realize. An assessment of "5" represents the shortest duration to implement the plan, which is most preferred since improvements to healthcare delivery may be realized sooner.

Evaluation Criteria/ Indicators	Evaluation Scale	Explanation of Scale
Timeliness of urgent corrections: Duration (Years to correct code deficiencies, focusing on seismic deficiencies as identified in the CAI)	1 = Significantly longer duration than the Baseline BPO (>24 months longer) 2 = Longer duration than the Baseline BPO (>6 and ≤ 24 months longer) 3 = Similar duration as the Baseline BPO (+/- 6 months) 4 = Shorter duration than the Baseline BPO (>6 and ≤ 24 months shorter) 5 = Significantly shorter duration than the Baseline BPO (>24 months shorter)	An assessment of "1" represents the longest duration to make seismic corrections, which is least preferred since safety improvements may take a significant amount of time to realize. An assessment of "5" represents the shortest duration to make seismic corrections, which is most preferred since safety improvements may be realized sooner.
Consolidation of underutilized space: % Underutilized Space	1 = Significantly less reduction in underutilized space than the Baseline BPO (>20% higher) 2 = Less reduction in underutilized space than the Baseline BPO (>5 and ≤ 20% higher) 3 = Similar reduction in underutilized space as the Baseline BPO (+/- 5%) 4 = Greater reduction in underutilized space than the Baseline BPO (>5 and ≤ 20% lower) 5 = Significantly greater reduction in underutilized space than the Baseline BPO (>20% lower)	An assessment of "1" represents the least amount of reduction in underutilized space, which is least preferred since less reduction of underutilized space indicates a less optimal use of space for providing healthcare and administrative functions throughout the campus. An assessment of "5" represents the greatest amount of reduction in underutilized space, which is most preferred since greater reduction of underutilized space indicates a more optimal use of space for providing healthcare and administrative functions throughout the campus.
Consolidation of vacant space: % Vacant Space	1 = Significantly less reduction in vacant space than the Baseline BPO (>20% higher) 2 = Less reduction in vacant space than the Baseline BPO (>5 and ≤ 20% higher) 3 = Similar reduction in vacant space as the Baseline BPO (+/- 5%) 4 = Greater reduction in vacant space than the Baseline BPO (>5 and ≤ 20% lower) 5 = Significantly greater reduction in vacant space than the Baseline BPO (>20% lower)	An assessment of "1" represents the least amount of reduction in vacant space, which is least preferred since less reduction of vacant space indicates a less optimal use of space for providing healthcare and administrative functions throughout the campus. An assessment of "5" represents the greatest amount of reduction in vacant space, which is most preferred since greater reduction of vacant space indicates a more optimal use of space for providing healthcare and administrative functions throughout the campus.

Re-Use

The purpose of the Re-use studies in Stage II is to determine the highest and best use of property for each of the BPOs. The Re-use team (Team PwC or OGC) will conduct refined market assessments and regulatory assessments in Stage II that build upon the previous market analysis completed for Stage I, with supplemental information from the local marketplace. The assessment will include such elements as rents, sales prices, absorption, changes to supply, and forecasted changes in demand drivers, such as projected employment growth and increase in households. Using the revised information from the market assessment, the Re-use team will engage in a collaborative process with the Capital Planning team to identify the optimal site configuration for each BPO that balances the desirability for re-use with the goals of the Capital Planning team. They will also provide information to the financial analysis team regarding projected re-use proceeds resulting from the BPO.

Inputs and Assumptions

The following will be the key inputs to the Re-use study for Stage II:

- **Market interviews**: Conversations will be conducted with local real estate brokers, developers, homebuilders, other real estate professionals, as well as local planning and economic development officials as appropriate.

- **Non-market users**: Non-market users will be identified through the LAP and stakeholder input. Telephone conversations will also be conducted with major veterans organizations to identify potential "in-kind" services as appropriate.

Key assumptions driving the Re-use study will include the following:

- Industry standards are to be utilized for estimating demolition or clean-up requirements as applicable.
- "Non-significant" historic buildings will be assumed eligible for demolition as opposed to re-use.
- Engagement in an Enhanced Use Lease will be assumed unless disposition would result in significantly higher net proceeds.

Several assumptions will also serve as the foundation for projecting revenues associated with Re-use plans:

- Revenue assumptions will be based on current market sale and lease rates as identified through a refined market assessment.
- All financing assumptions, including interest rates, capitalization rates, and discount rates, among others, are to be based on current market conditions.
- Non-market users will be considered to be revenue-neutral.
- Land acquisition costs are to be based on average current market rates for commercial and institutional property.
- A private developer or end-user will pay for demolition costs as necessary.

Outputs

The Re-use team will engage in a collaborative process with the Capital Planning team to identify the optimal site configuration for each BPO that balances the desirability for re-use with the goals of the Capital Planning functional area resulting in a refined BPO. Additional key outputs from the Re-use study will be the following:

- **Refined Market Assessment:** A market assessment write-up will be developed containing the following elements: market assessment of area, real estate market trends, range of market values and returns, and development risks given market trends.

- **Re-use Revenues:** The profiles of revenues generated from real property will be incorporated into the financial analysis to offset investment costs and yield an overall net present cost.

- **Political and Regulatory Assessment:** An assessment of the political, regulatory, and environmental conditions will be developed that assesses the political climate as well as existing and proposed zoning and other development regulations that could impact the re-use opportunities on the site.

- **Non-market users:** Non-market users identified through stakeholder and LAP meetings will be noted and addressed in narrative form.

- **Public and Private Funding Sources:** A discussion of sources of funding as identified through the LAP and discussions with local economic development officials.

Evaluation Scale

The evaluation scales for the Re-use criteria are described in Table 3. Criteria will be assessed on a 5-point scale using the outputs of the Re-use analysis.

Table 3: Evaluation Scale for Re-Use Evaluation Criteria

Evaluation Criteria / Indicators	Evaluation Scale	Explanation of Scale
Market potential for re-use	1 = Re-use would not be well received by the market 2 = Market is weak for re-use 3 = Market is adequate for re-use 4 = Market exhibits strength 5 = Market is very strong for re-use	An assessment of "1" represents the least market support for the re-use plan, which is least preferred since this would indicate a plan that is not the highest and best use of land. An assessment of "5" represents strong market support of the re-use plan, which is most preferred since this suggests the highest and best use of the land.
Financial feasibility	1 = Transaction expected to result in negative cash flow 2 = Transaction will generate less than satisfactory cash flows 3 = Transaction will generate marginal cash flows 4 = Transaction will generate material cash flows 5 = Transaction will generate significant cash flows	An assessment of "1" represents a re-use expense to VA which is least preferred since this would not result in proceeds for offsetting capital investment. An assessment of "5" represents significant positive cash flows, which is most preferred since they would allow VA to realize re-use proceeds to offset the capital investment required.
VA mission enhancement	1 = Least compatible with / provides least enhancement of VA mission 2 = Less compatible with / provides less enhancement of VA mission 3 = Similar compatibility / enhancement of VA mission as other BPOs 4 = More compatible with / provides more enhancement of VA mission 5 = Most compatible with / provides best enhancement of VA mission	An assessment of "1" represents a re-use plan that is not compatible with VA's mission, which is least preferred since this would not enhance and could possibly hinder the goals of VA. An assessment of "5" represents a re-use plan that is most compatible with VA's mission, which is most preferred since this would enhance the ability of VA to meet its goals.
Execution risk	1 = Option presents barriers that cannot be resolved 2 = Option presents significant obstacles that may not be resolvable 3 = Option may present obstacles that are resolvable with some difficulty 4 = Option may have some obstacles, but they should be reasonably resolvable 5 = Option presents no significant obstacles or barriers to execution	An assessment of "1" represents significant obstacles to the successful implementation of the re-use plan, which is least preferred since this could indicate inability to realize re-use proceeds in a timely manner. An assessment of "5" represents no obstacles to a successful implementation plan, which is most preferred since this would indicate that VA would realize expected re-use proceeds in a timely manner.

Use of VA Resources

The purpose of the financial analysis is to develop a detailed Cost Effectiveness Analysis for each BPO studied in Stage II. The analysis will utilize a financial model that considers the VAMC operating costs for providing care and capital investments, as well as proceeds from re-use plans in order to determine overall cost effectiveness. Additionally, sensitivity analyses will be conducted to test the importance of the key assumptions. Additional iterations of the financial analysis will be run for each BPO to determine the impact different assumptions may have on the results.

Special attention will be given to providing more specific department/service level cost analysis that builds upon earlier CARES analysis and provides clearly described cost and business decision options as part of the Stage II results. The major differences between Stage I and Stage II financial analyses will be the level of detail and refinement that is included in the inputs to the financial analysis as well as improvement in the completeness of the analysis.

Inputs and Assumptions

These key inputs will include the following:

- **Current and forecasted services:** These are defined by the healthcare component of each BPO.
- **Current and forecasted utilization:** Departmental utilization data is based upon projected CIC utilization data approved by VA.
- **VA current and future unit cost of care**: Current costs are provided per CIC by VACO from the DSS system which serves as its cost accounting system. Team PwC calculates the future cost of care using an inflation factor.
- **Capital investment requirements and timing**: This will be provided by the Capital Planning team based upon square footage projections.
- **Re-use revenues**: These are revenues generated from real property and sharing agreements, and will be provided by the Re-use team.

The financial analysis to be conducted in Stage II will be based on several assumptions. A more detailed set of assumptions are included in the appendix; however, key assumptions are highlighted below:

- The financial analysis has a 30-year planning horizon from 2003 to 2033.
- Escalation rates are constant for each year for each individual site.
- The net present cost of each BPO is calculated using a Treasury nominal discount rate (5.2%).
- Medicare payment rates will use average rates per county. Adjustments for graduate medical education, average wage rates, disproportionate share, or capital requirements will be assumed to have been averaged across all providers.

Outputs

The outputs from the financial analysis are as follows:

- **Total operating costs**: This is the comparison of the total operating costs among the BPOs. Total operating costs include direct variable, fixed direct, and fixed indirect costs associated with a BPO. Operating costs are aggregated for the 30-year study period. This output is useful for evaluating the operating cost effectiveness of a BPO.

- **Total capital investment costs**: This is the comparison of the total capital investment costs among the BPOs over the 30-year study period.

- **Net present cost**: This is the comparison of the 30-year NPC among the BPOs. NPC is the annual outflow discounted using the overall discount rate so that a particular BPO's cash outflows can be valued on a relative basis as compared to other BPOs.

- **Total considerations (re-use revenues, in-kind, etc.)**: This is the comparison of the total considerations (re-use proceeds/costs, in-kind considerations, etc) aggregated for the 30-year study period.

- **Total annual savings**: This is the comparison of the annual savings among the BPOs over the 30-year study period.

- **Cost Effectiveness Analysis:** The outputs from the Cost Effectiveness Analysis will also be provided which include such metrics as Return on Investment, Internal Rate of Return, Payback in terms of years, and Average Annual VA Investment.

Finally, sensitivity analyses will also be performed for each BPO to understand the effects of key data elements (e.g., contract prices, utilization volumes, etc.) on the outcomes.

Evaluation Scale

The evaluation scales for the Use of VA Resources criteria are described in Table 4. Criteria will be assessed on a 5-point scale using the outputs of the Use of VA Resources analysis.

Table 4: Evaluation Scale for Use of VA Resources Evaluation Criteria

Evaluation Criteria/ Indicators	Evaluation Scale	Explanation of Scale
Total operating costs	1 = Financial analysis metric for the BPO is greater than 114% of the Baseline BPO 2 = Financial analysis metric for the BPO is 105 - 114% of the Baseline BPO 3 = Financial analysis metric for the BPO is 95 - 104% of the Baseline BPO 4 = Financial analysis metric for the BPO is 85 - 94% of the Baseline BPO 5 = Financial analysis metric for the BPO is less than 85% of the Baseline BPO	An assessment of "1" represents a financial metric that is greater than the Baseline BPO, which is least preferred since this indicates higher costs to VA. An assessment of "5" represents a financial metric that is less than the Baseline BPO, which is preferred since this indicates lower costs to VA.
Total capital investment costs		
Net present cost		

Both the indicators of Total Considerations and Total Annual Savings will be presented and considered in the recommendation of a final BPO; however, they will not be evaluated using the scale as applied to the other outputs of the financial analysis.

Ease of Implementation

The purpose of the Ease of Implementation assessment is to determine the likelihood and potential severity of various risks that could impede the successful and timely implementation of the BPO. This also allows for the development of mitigation strategies that can be considered during implementation planning. Data for the indicators of the evaluation criteria (i.e., capital considerations, re-use considerations, academic affiliation / education, and HR / staffing) will be compiled. The risk factors will be assessed according to impact and likelihood of occurrence. The impact of a risk factor refers to the degree to which the factor will disrupt successful implementation of the BPO. The likelihood of occurrence refers to the probability that the risk factor will arise. An online risk assessment tool will be used to calculate the risk metric based on these parameters as well as capture corroborative data, justification for the risk metric, and mitigation factors. Mitigation strategies will be developed for major risks identified through this assessment and included in the implementation plan for each BPO.

Inputs and Assumptions

The key inputs for the Ease of Implementation study will mirror the evaluation criteria as discussed earlier for this function. The risks assessments will be conducted using the indicator data gathered for the evaluation criteria of academic affiliations / education, HR / staffing, re-use considerations, and capital considerations.

Key assumptions for conducting the Ease of Implementation study will include the following:

- Academic affiliations/education and HR/staffing criteria are not assessed at comprehensive capital planning sites, where no healthcare decision is required.
- There will be no overall risk score for a given BPO (i.e., risk criteria will be assessed independently and will not be summed or weighted).
- Each risk criterion will be rated across two factors – impact and likelihood of occurrence.
- The expert panel will review and validate the risk assessment proposed by the site study team.

Outputs

The following will be the key outputs from the risk assessment:

- **Risk metric and narrative**: Quantitative risk assessment of each criterion with supporting narrative. The risk metric and assessment information will assist in the development of risk mitigation factors to be developed in the final business plan.

- **Risk mitigation plans**: Plans for mitigating the identified risks will be developed and incorporated into the implementation plan for the BPO.

Evaluation Scale

The evaluation scales for the Ease of Implementation criteria are described in Table 5. Criteria will be assessed on a 5-point scale using the outputs of the Ease of Implementation analysis.

Table 5: Evaluation Scale for Ease of Implementation Evaluation Criteria

<table>
<tr><th>Evaluation Criteria/ Indicators</th><th>Evaluation Scale</th><th>Explanation of Scale</th></tr>
<tr><td>Academic affiliations/education*
(All indicators)</td><td rowspan="4">The ease of implementation criteria will be assessed as the average of two dimensions: 1) negative impact of identified risk and 2) likelihood of negative impact of identified risk.

<u>Negative Impact of Identified Risk</u>

For Academic affiliations/education, HR/staffing, and all Capital planning considerations for implementation, impact will be measured as follows:

1-5 scale for negative impact of identified risk

1 = High potential negative impact
3 = Medium potential negative impact
5 = Low potential negative impact

For Community Support (a Re-use consideration), impact will be measured as follows:

1 = Option has strong community resistance with at most limited support
2 = Option has greater community resistance than support
3 = Option has a balance of community support and resistance
4 = Option has greater community support than resistance
5 = Option has strong community support with at most limited resistance

For Legal and Regulatory (a Re-use consideration), impact will be measured as follows:

1 = Option has obstacles that cannot be resolved
2 = Option has significant obstacles that may not be resolvable
3 = Option may have obstacles that are resolvable with some difficulty
4 = Option may have some obstacles, but they should be reasonably resolvable
5 = Option has no significant legal/regulatory obstacles

<u>Likelihood of Negative Impact</u>

For Academic affiliations/education, HR/staffing, and all Capital planning considerations for implementation, likelihood will be measured as follows:

1-5 scale for likelihood of negative impact for identified risk

1 = High likelihood of occurrence of negative impact
3 = Medium likelihood of occurrence of negative</td><td rowspan="4">The overall assessments represent the ease of implementation according to the two noted dimensions. Thus, assessments with lower scores will be more difficult to implement and will require more mitigation planning, while assessments with higher scores will be easier to implement and require less mitigation planning.

An assessment of “1” represents a risk area that is likely to occur and would have a high negative impact. This assessment is least preferred since this indicates a BPO that is not easily implemented and requires development of substantial mitigation strategies for identified risks.

An assessment of “3” represents a risk area with one of the following scenarios:
• The risk is likely to occur, but will have low negative impact
• The is not likely to occur, but would have high negative impact
• The risk has medium likelihood of occurring and would have medium negative impact if occurred

The BPO with an assessment of “3” would require a moderate amount of mitigation planning for the identified risks for successful implementation.

An assessment of “5” represents a risk area that is not likely to occur and would have a low negative impact, which is preferred since this indicates a BPO that is easily implemented and does not require substantial mitigation planning.</td></tr>
<tr><td>HR/staffing*
(All indicators)</td></tr>
<tr><td>Re-use considerations
(All indicators)</td></tr>
<tr><td>Capital planning considerations
(All indicators)</td></tr>
</table>

Evaluation Criteria/ Indicators	Evaluation Scale	Explanation of Scale
	impact 5 = Low likelihood of occurrence of negative impact For Community Support, likelihood will be measured as follows: 1 = Option has high likelihood of community resistance 3 = Option has moderate likelihood of community resistance 5 = Option has low likelihood of community resistance For Legal and Regulatory, likelihood will be measured as follows: 1 = Option has high likelihood of encountering legal or regulatory obstacles 3 = Option has moderate likelihood of encountering legal or regulatory obstacles 5 = Option has a low likelihood of encountering legal or regulatory obstacles The ease of implementation metric will be calculated using the following: Ease of Implementation = (Impact + Likelihood) / 2. An ease of implementation score will then be calculated for each criterion using the following scale: 1 = The BPO has significantly greater implementation challenges than the Baseline BPO (≥ 2 points higher than the Baseline BPO) 2 = The BPO has greater implementation challenges than the Baseline BPO (≥ 1 points higher and <2 points higher than the Baseline BPO) 3 = The BPO has similar ease of implementation to the Baseline BPO (<1 point difference with the Baseline BPO) 4 = The BPO has greater ease of implementation than the Baseline BPO (≥ 1 points lower and <2 points lower than the Baseline BPO) 5 = The BPO has significantly greater ease of implementation than the Baseline BPO (≥ 2 points lower than the Baseline BPO)	

* Academic affiliations/education and HR/staffing criteria not assessed at comprehensive capital planning sites, where no healthcare decision is required.

Ability to Support Other VA Programs

The purpose of this study is to determine how BPOs may support or jeopardize specific programs that have been identified as primary initiatives. These initiatives include enhanced DoD sharing, One-VA integration, promotion of specialized programs, and enhancement of services to veterans. This assessment will leverage information from Stage I to determine how the refined BPOs in Stage II would positively or negatively impact these VA objectives. Site teams will consider these impacts in evaluating the BPOs against the Baseline option.

Inputs and Assumptions

The primary inputs for this study will be the information gathered in Stage I regarding the following:

- **DoD sharing arrangements**: These include arrangements made between VA and DoD institutions to share facilities or services in order to provide care to veterans.
- **Specialized VA programs**: Specialized VA programs are defined as spinal cord injury, blind rehabilitation, seriously mentally ill, polytrauma, and Centers of Excellence.
- **Proposed enhancement of services**: Service enhancements or ancillary support services that would improve quality, cost effectiveness and continuity of care.
- **Integration with VBA and NCA facilities**: Co-location of VBA or NCA facilities with VA facilities to allow for easier access to VA services on the campus.

Outputs

A discussion will be provided of how each BPO impacts the VA programs, specifically, DoD sharing, One-VA integration, specialized VA programs, and enhancement of services to veterans. The resulting impacts will be quantitatively evaluated similar to other assessment areas.

Evaluation Scale

The evaluation scales for the Ability to Support Other VA Programs criteria are described in Table 6. Criteria will be assessed on a 5-point scale using the outputs of the Ability to Support VA Programs analysis.

Table 6: Evaluation Scale for Ability to Support Other VA Programs Evaluation Criteria

Evaluation Criteria/ Indicators	Evaluation Scale	Explanation of Scale
DoD sharing (Memoranda Of Understandings impacted by BPO)	1 = The BPO has the potential to provide the least enhancement relative to the Baseline BPO for the specific criterion 2 = The BPO has the potential to provide less enhancement relative to the Baseline BPO for the specific criterion 3 = The BPO has the potential to provide enhancement equivalent to the Baseline BPO for the specific criterion 4 = The BPO has the potential to provide more	An assessment of "1" represents the least potential for the BPO to enhance one of the special VA programs, which is least preferred since this does not assist VA in meeting programmatic objectives. An assessment of "5" represents the most potential for the BPO to enhance one of the select VA programs, which is preferred since this assists VA in
One VA integration (VBA and NCA impacted by BPO)		

Evaluation Criteria/ Indicators	Evaluation Scale	Explanation of Scale
	enhancement relative to the Baseline BPO for the specific criterion 5 = The BPO has the potential to provide the most enhancement relative to the Baseline BPO for the specific criterion	meeting programmatic objectives.
Specialized VA programs (Specialized Care/COE impacted by BPO)		
Enhancement of services to veterans (Services in kind)		

Stakeholder Input

The purpose of the Stakeholder Input element in Stage II is to encourage a meaningful dialogue with veterans, veterans advocacy groups, staff, elected officials, and other interested parties, about the options being considered for a given study site. The Stakeholder Input element seeks to provide stakeholders with a series of convenient communication channels to express their interests, concerns, and priorities for the study. Through the CARES project website (www.va.gov\cares), Team PwC will also provide stakeholders with information about the study background and objectives, the options being considered, and the findings and recommendations for each study site.

Feedback from stakeholders will be considered by Team PwC in developing implementation plans and risk mitigation strategies for each BPO. This feedback will also be used by VA decision makers in weighing the advantages and disadvantages of each BPO and their associated implementation plans.

Inputs and Assumptions

Similar to the manner in which stakeholder inputs were gathered during Stage I, the inputs will include the following:

- Testimony and presentations made at public meetings, including public comments and questions
- A questionnaire soliciting stakeholder opinions which will be available for completion by persons who access the website
- A paper version of the questionnaire which will be available during public meetings
- A mail stop where the public can mail written comments and information about a particular study site

In addition, presentations and approved reports, along with meeting information and any other announcements concerning the study, will be promptly posted on the CARES Project website, the address of which will be prominently publicized.

In Stage II, stakeholders will be asked to comment on the BPOs selected for further study. However, stakeholders will not be limited as to the type of input which they can provide, and some stakeholders may choose to provide very personal information about the care they or a relative received, or about the anticipated need to provide future veterans with healthcare.

Key assumptions include:

- Stakeholder input will be limited to the study period
- Stakeholders will have 14 calendar days following the LAP meeting to submit additional written feedback via the website or mail stop
- Although the volume of stakeholder input recfeived will not necessarily represent all stakeholder viewpoints, and may not be statistically significant, the feedback will still provide a useful indication of the likely interests, concerns, and priorities of stakeholders that must be considered if a BPO is to be implemented successfully
- Despite the absence of an assigned weight or evaluation scale to stakeholder input, Team PwC's site teams, the expert panel, and VA decision makers will nevertheless have access to the types of concerns expressed by stakeholders, including insights that may not be available through more objective data-gathering methods

For healthcare study sites, the questionnaire will specifically solicit views from stakeholders in the following five categories:

Table 7: Healthcare Category of Concern Definitions

Category of Concern	Definition
Access	Concerns about the travel time to the healthcare facility if this option is selected.
Healthcare Services & Providers	Concerns about a possible change in what services are available or who provides them.
Adequate Facilities	Concerns about whether the option would provide a modern facility capable of meeting healthcare demands in the future.
Use of Facilities	Concerns about whether this option makes good use of existing land and buildings.
Research & Education	Concerns about changes to research or education programs at the facility.

For capital planning study sites, the questionnaire will specifically solicit views from stakeholders in the following five categories:

Table 8: Capital Planning Category of Concern Definitions

Category of Concern	Definition
Adequate Facilities	Concerns about whether this option would provide a modern facility capable of meeting healthcare demands in the future.
Timeliness	Concerns about the length of time to finish construction called for by this option.
Availability of Care	Concerns that construction will disrupt the healthcare currently provided
Use of Facility	Concerns about whether this option makes good use of existing land and facilities.
Campus Environment	Concerns that this option will disrupt the historic quality or the natural setting of the current campus.

Outputs

Three types of stakeholder input (electronic comment forms, written comment forms and correspondence, and testimony) will be analyzed, categorized and summarized to provide information on:

- The number and percentage of stakeholders expressing a particular concern for a given BPO
- General themes expressed in oral testimony at the public LAP meetings and written input submitted at the LAP meetings, to the mail stop, or via the website

- When appropriate, selected comments which amplify or clarify stakeholder interests and concerns
- Implications of stakeholder feedback for successful implementation of the BPO

The tabulation and summary description of stakeholder input will be provided to Team PwC site teams and the expert panel for consideration in their discussion of the relative merits of each of the short-listed BPOs. The trade-off discussion will consider the five evaluation categories and stakeholder input. The evaluation findings of Team PwC will address the likelihood of stakeholder support for a given BPO, together with stakeholder interests, concerns and priorities to be addressed in implementation of the BPO.

Presentation of Results

The purpose of the results step is to provide VA decision makers with a balanced discussion of the trade-offs to be considered in making a final decision. The Stage II results will consist of a discussion of the relative merits of each BPO, comparing and contrasting the strengths and weaknesses of each BPO, and a plan to implement each BPO.

Independent Review Panel

To obtain greater input into the development of the final business plan reports, PricewaterhouseCoopers will convene an independent review panel (IRP) to provide an in-process review of the Stage II analysis, including a balanced review of the tradeoffs that were considered in developing the evaluation of each business plan option. This panel will:

- Provide input from multiple perspectives, to include academia and private sector management and clinical viewpoints.
- Discuss analysis and evaluations.
- Discuss the reasoning behind the evaluations, including the trade-offs between criteria.
- Discuss the relative merits of each option without providing definitive recommendations.
- Capture feedback for incorporation into the final site report.

The composition of the IRP will include VA representatives from Office of Strategic Initiatives (OSI) and Office of Asset Enterprise Management (OAEM), and Team PwC representatives (Partner facilitators, physicians with expertise on clinical quality, expert capital planners, real estate market experts or advisors, and site leaders). The IRP members will also include independent experts from academia and healthcare management.

Panel Results

Stage II will employ the IRP at the conclusion of the analysis phase and prior to the development of final business plan reports.

The purpose of the results step of the process is to provide an in-process review of the Stage II analysis, including a balanced review of the tradeoffs that were considered in developing the Stage II Report. The panel process will provide the basis for discussion on the analysis of each BPO's relative merits, comparing and contrasting the strengths and weaknesses of each BPO, and a plan to implement each BPO.

Purpose

Figure 2: CARES Business Plan Study IRP Purpose

CARES Business Plan Study IRP
• Review Stage II site reports which will include analysis from capital, financial, re-use, and stakeholder management teams. • Identify areas where the discussion of analysis results could be enhanced to allow a better understanding of the evaluation of each Business Plan Option. • Review and synthesize the ongoing work of the PricewaterhouseCoopers (PwC) site team and the OAEM IDIQ contractors to determine if presentations clearly articulate tradeoff decisions and that those decisions represent best practices across the study areas (healthcare, capital and re-use). • Guidance received by the Panel should be considered and potentially incorporated in revisions of the CARES Business Plan Study Stage II final report.

Operating Principles

The IRP will be guided by the following principles:

- All meetings of the Panel were held at PricewaterhouseCoopers offices at McLean, attendance will be limited to panel members and PwC Project Management, OAEM, and study site staff except where alternate arrangements were made in advance.
- The Panel will be chaired by a PwC partner The chairs will provide oversight to the preparation of all panel documents, including meeting agendas and meeting minutes.
- Panel members represented their expertise area and not their respective organizations or corporations.
- The panel members provided comments and recommendations verbally during the meeting.
- There was no attempt to reach consensus or to develop group recommendations within the committee. They did not make decisions or develop group positions.
- It was the responsibility of Team PwC in concert with the IDIQ to revise the Stage II final report as appropriate.
- No new data collection or analysis was conducted as a result of the recommendations of the committee members, unless directed by the VA contract officer.
- Detailed minutes of each committee meeting were documented.
- Panel documents were not made available to entities outside the offices of the Assistant Deputy Under Secretary for Health and Office of Asset Enterprise Management.
- Composition of the panel was subject to change, as needed, for the different sites identified in the CARES study.**Panel Process Outputs**

The IRP members were provided with preparation material which will include an initial high level presentation of the VA CARES study, methodology, assumptions, site overview, and key site issues. During the panel meeting, the site study team will provide an overview presentation of site description, options, particular issues, option evaluation, supporting rationale, and conclusions.

The IRP discussed the conclusions of the study team and provide commentary on the analysis results and evaluation of each option. The IRP also weighed the breadth and depth of stakeholder concern about various alternatives and ensure that the evaluation of each option takes into account any information that was not captured in any of the other objective measures in forming the Panel's judgment.

The IRP provided feedback at the sessions that was used, as appropriate, by Team PwC and the IDIQ in finalizing the Stage II business plan report.

Implementation Plans

Following the IRP's discussion of preliminary results, implementation plans will be developed for all Stage II BPOs. The purpose of each plan will be to provide a roadmap for the local site teams for implementing the BPO, noting critical transition and implementation activities. The plan with highlight key milestones associated with implementation functions such as budgeting and funding, procurement, contracting for care, construction, human resource transition, as well as building activation and occupancy. The plan will help to appropriately sequence the implementation activities accounting for dependencies among the various functions.

An implementation schedule will be created using Microsoft Office's project management program (MS Project) in six-month intervals listing the critical implementation tasks. The plans will be based upon the capital planning construction schedules with overlays of additional functions. A supporting narrative will also be developed to more fully explain the implementation roadmap, explaining key milestones and dependencies, as well as risk mitigation strategies for all risks identified in the ease of implementation analysis. Ultimately the implementation plan will be used to guide the execution of the BPO, but may also provide VA additional insight to the risks and complexity of the BPO, as the results of the various BPOs studied in Stage II are considered.

Appendix C - Financial Definitions

- **Net Present Cost ("NPC")**: The sum of the annual cash-flows, discounted using the overall discount rate, so that a particular BPOs cash-flow can be valued on a relative basis to the other BPOs within a given study site. This is calculated as operating costs + capital costs (capital investments and periodic maintenance/replacement costs) + considerations.

- **Return on Investment ("ROI"):** The percentage return generated by each additional dollar invested. The ROI is always compared to BPO 1 and generally will be negative because the compared BPO has costs less than the BPO 1. The Financial Analysis for CARES Business Plan Studies uses the CEA, the term "benefits" means cost savings and cash-inflows estimated.

  - ROI calculation = [Positive savings minus (Option NPC minus BPO 1 NPC)]/(Option NPC minus BPO 1 NPC)

  - Positive savings: favorable difference in cost types (operational costs, capital investment costs, capital life cycle costs and re-use revenue), where Option X cost is less than BPO 1 cost. Negative savings, where Option X cost is greater than BPO 1 for any of the cost types, are not factored into the savings.

- **Internal Rate of Return ("IRR"):** A particular project's IRR is the discount rate that causes its future-value cashflows to result in a zero NPC.

- **Annual VA Investment Levels**: Annual investment levels required by the VA for a particular BPO are calculated by taking total capital investments divided by 30 years.

- **Return on Capital Investment**: Positive savings divided by Total Capital Cost (Capital Investments + Capital Periodic Maintenance/Replacement).

- **Total Operating Costs**: Annual operating cash-flows are discounted using the overall discount rate so that a particular BPOs operating cash-flow can be valued on a relative basis to the other BPOs operating cash-flow.

- **Total Capital Investment Costs**: Annual capital investment cash flows are discounted using the overall discount rate so that a particular BPOs capital investment cash-flow can be valued on a relative basis to the other BPOs.

- **Total Considerations**: Annual consideration cash flows are discounted using the overall discount rate so that a particular BPOs consideration cash-flow can be valued on a relative basis to the other BPOs.

- **Total Calculated Savings**: Favorable difference in cost types (operational costs, capital investment costs, capital periodic maintenance/replacement costs and re-use revenue) as

compared to other BPOs. Negative savings in cost types are not factored into the savings.

- **Direct Variable Costs**: The costs of direct patient care that vary directly and proportionately with fluctuations in workload. Examples include salaries of providers and the cost of medical supplies

- **Fixed Indirect Costs**: The costs not directly related to patient care, and therefore not specifically identified with an individual patient or group of patients. These costs are allocated to direct departments through the indirect cost allocation process. Examples include utilities, maintenance, and administration costs.

- **Fixed Direct Costs**: The costs of direct patient care that do not vary in direct proportion to the volume of patient activity. The word “fixed" does not mean that the costs do not fluctuate, but rather that they do not fluctuate in direct response to workload changes. Examples include depreciation of medical equipment and salaries of administrative positions in clinical areas.

Appendix D - Sensitivity Analysis

A sensitivity analysis, based on the outputs of the financial analysis, was performed for each of the Stage II BPOs for the Leestown Road Division, Lexington VAMC. A sensitivity analysis is a procedure performed to determine the sensitivity of the outcomes of a BPO. For example, if a small change in a factor, such as escalation rates, results in relatively large changes in the outcomes, the outcomes are said to be sensitive to that factor. This section first describes key factors of the sensitivity analysis at Lexington, followed by a discussion of the detailed financial outputs associated with each factor.

Key Factors for Lexington

The following key factors were considered in the sensitivity analysis for each BPO at Lexington. These factors were selected based on the outputs from the financial analysis and the discussions conducted during the Independent Review Panel.

- Capital investment escalation rates – a change in capital investment escalation rates from 4% to 6.5% which was selected based on the last two years of construction cost history from RSMeans, a cost estimating organization
- Variable costs efficiencies related to recurring operating costs based on 2% for renovation and 4% for new construction
- Accelerating building construction timeframe – starting design in 2009 adding construction duration timeframe and 6 months for activation.

Capital Investment Escalation Rates

Table 9 shows the sensitivity of the BPOs to the capital investment escalation rates used for each BPO. In this analysis the assumption for capital investment costs are increased to 6.5% per year instead of 4.0%. The reason for this sensitivity analysis is to identify the sensitivity the individual BPOs have to the escalation rate for construction. Recently, construction rates have increased at a higher rate than expected. Therefore, this sensitivity analysis provides insight into what happens to a BPO if this trend continues.

Table 9: Capital Investment Escalation Sensitivity

BPO Comparison 2003 Net Present Dollars ($000) Reflects 30 year period 2003-2033			
	BPO 1*	**BPO 5**	**BPO 6**
Total Net Present Cost	$ 970,667	$ 904,908	$ 943,438
Total Net Present Cost Modified for Construction Escalation	$ 995,320	$ 923,861	$ 970,335

Re-use is not included in Baseline

As shown, the NPC increases for all three BPOs. BPO 5 remains the least expensive option and BPO 6 remains the second in cost, with BPO 1 remaining the most expensive option.

Variable Cost Efficiencies

Variable costs comprise about 44% of total operating costs for the Lexington site. These costs were only subject to changes arising from workload in the financial analysis. Generally, however, it is anticipated that efficiencies in these variable costs are gained during renovation and construction. These efficiencies relate to buildings and functions being in closer proximity to each other, facilities built to provide state of the art medical care, and other enhancements such as private inpatient rooms. The following shows the results of the sensitivity analysis where operating efficiencies of 2% and 4% are incorporated for new renovations and new construction, respectively.

Table 10: Variable Cost Efficiencies Sensitivity

BPO Comparison 2003 Net Present Dollars ($000) Reflects 30 year period 2003-2033			
	BPO 1*	**BPO 5**	**BPO 6**
Total Net Present Cost	$ 970,667	$ 904,908	$ 943,438
Total Net Present Cost Modified for Operating Efficiencies	$ 968,471	$ 900,514	$ 940,447

Re-use is not included in Baseline

As shown in Table 10, the savings that result from the operating efficiencies range from about $2 to $4 million in NPC. These efficiencies occur in each of the three BPOs. The savings for each BPO are limited to the timeframe after which activation of the facility has occurred through 2033. Although the impacts of these changes on the total operating cost and NPC of these options are fairly similar, the impact further supports the lower cost new construction BPO.

Accelerated Implementation Schedule

The implementation schedules for the three BPOs are reasonably long, a significant portion of which is caused by various anticipated regulatory constraints. This sensitivity analysis assessed the impact of removing these constraints on the timeframe for each BPO. Removing the constraints has the effect of reducing the impact of capital investment escalation rates and introducing some of the operating efficiencies earlier. Specifically, the impact of starting design and construction in 2009 was assessed to understand how the NPC of each BPO might change. The following shows the results on the NPC for each of the BPOs.

Table 11: Accelerated Implementation Schedule Sensitivity

BPO Comparison 2003 Net Present Dollars ($000) Reflects 30 year period 2003-2033			
	BPO 1*	**BPO 5**	**BPO 6**
Total Net Present Cost	$ 970,667	$ 904,908	$ 943,438
Total Net Present Cost Modified for Accelerated Implementation Schedule	$ 976,496	$ 903,581	$ 947,112

Re-use is not included in Baseline

As shown in Table 11, the changes in the construction schedules have a minimal impact on the NPC of each BPO. A shortened implementation schedule generally results in greater operating costs efficiencies due to those efficiencies being realized earlier. However, for BPOs 1, 5 and 6, NPC actually increased due to capital costs being incurred earlier which offset the operating cost savings. BPO 5 remains the least expensive BPO and BPO 6 remains the second in cost, with BPO 1 remaining the most expensive BPO.

Appendix E - Glossary

Acronyms

AFB	Air Force Base
AMB	Ambulatory
BPO	Business Plan Option
CAI	Capital Asset Inventory
CAP	College of American Pathologists
CARES	Capital Asset Realignment for Enhanced Services
CBOC	Community Based Outpatient Clinic
CIC	CARES Implementation Category
DoD	Department of Defense
FTEE	Full Time Employee Equivalent
GFI	Government Furnished Information
HEDIS	Health Plan Employer Data and Information Set
ICU	Intensive Care Unit
IP	Inpatient
JCAHO	Joint Commission on Accreditation of Healthcare Organizations
OP	Outpatient
MH	Mental Health
MOU	Memorandum of Understanding
N/A	Not Applicable
NFPA	National Fire Protection Association
PTSD	Post Traumatic Stress Disorder

SOW	Statement of Work
VA	Department of Veterans Affairs
VACO	VA Central Office
VAMC	Veterans Affairs Medical Center
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

Definitions

Access	Access is the determination of the numbers of actual enrollees who are within defined travel time parameters for primary care, acute hospital care, and tertiary care after adjusting for differences in population and density and types of road.
Alternative Business Plan Options	Business Plan Options generated as alternatives to the Baseline Business Plan Option providing other ways VA could meet the requirements of veterans at the Study Site.
Ambulatory Services	Services to veterans in a clinic setting that may or not be on the same station as a hospital, for example, a Cardiology Clinic. The grouping as defined by VA also includes several diagnostic and treatment services, such as Radiology.
Baseline Business Plan Option	The Business Plan Option for VA which does not change any element of the way service is provided in the study area. "Baseline" describes the current state projected out to 2013 and 2023 without any changes to facilities or programs or locations and assumes no new capital expenditure (greater than $1 million). Baseline state accounts for projected utilization changes, and assumes same or better quality, and necessary maintenance for a safe, secure, and modern healthcare environment.

Business Plan Option (BPO)	The options developed and assessed by Team PwC as part of the Stage I and Stage II Option Development Process. A business plan option consists of a credible healthcare plan describing the types of services, and where and how they can be provided and a related capital plan, and an associated re-use plan.
Capital Asset Inventory (CAI)	The CAI includes the location and planning information on owned buildings and land, leases, and agreements, such as enhanced-use leases, enhanced sharing agreements, outleases, donations, permits, licenses, inter- and intra-agency agreements, and ESPC (energy saving performance contracts) in the VHA capital inventory.
CARES Implementation Category (CIC)	One of 25 categories under which workload is aggregated in VA demand models. *(See Workload)*
Clinic Stop	A visit to a clinic or service rendered to a patient.
Clinical Inventory	The listing of clinical services offered at a given station.
Code	Compliance with auditing/reviewing bodies such as JCAHO, NFPA Life Safety Code or CAP.
Community Based Outpatient Clinic (CBOC)	An outpatient facility typically housing clinic services and associated testing. A CBOC is VA operated, contracted, or leased and is geographically distinct or separate from the parent medical facility.
Cost Effectiveness	A program is cost-effective if, on the basis of life-cycle cost analysis of competing alternatives, it is determined to have the lowest costs expressed in present value terms for a given amount of benefits.
Domiciliary	A VA facility that provides care on an ambulatory self-care basis for veterans disabled by age or diseases who are not in need of acute hospitalization and who do not need the skilled nursing services provided in a nursing home.
Enhanced Use Lease	A lease of real property to non-government entities, under the control and/or jurisdiction of the Secretary of Veterans Affairs, in which monetary or "in-kind" consideration (i.e., the provision of goods, facilities, construction, or services of the benefit to the Department) is received. Unlike traditional federal leasing authorities in which generated proceeds must be deposited into a general treasury account, the enhanced-use leasing authority

	provides that all proceeds (less any costs than can be reimbursed) are returned to medical care appropriations.
Good Medical Continuity	A determination that veterans being cared for a given condition will have access to the appropriate array of primary, secondary, and tertiary care services required to treat that condition.
Initial Screening Criteria	A series of criteria used as the basis of the assessment of whether or not a particular Business Plan Option has the potential to meet or exceed the CARES objectives.
Inpatient Services	Services provided to veterans in the hospital or an inpatient unit, such as a Surgical Unit or Spinal Cord Injury Unit.
Market Area	Geographic areas or boundaries (by county or zip code) served by that Network's medical facilities. A Market Area is of a sufficient size and veteran population to benefit from coordinated planning and to support the full continuum of healthcare services. (*See Sector)*
Mental Health Indicators	See the end of this document.
Multispecialty Clinic	A VA medical facility providing a wide range of ambulatory services such as primary care, specialty care, and ancillary services usually located within a parent VA facility.
Nursing Home	The term "nursing home care" means the accommodation of convalescents or other persons who are not acutely ill and not in need of hospital care, but who require nursing care and related medical services, if such nursing care and medical services are prescribed by, or are performed under the general direction of, persons duly licensed to provide such care. Such term includes services furnished in skilled nursing care facilities, in intermediate care facilities, and in combined facilities. It does not include domiciliary care.
Primary Care	Healthcare provided by a medical professional with whom a patient has initial contact and by whom the patient may be referred to a specialist for further treatment. *(See Secondary Care and Tertiary Care)*
Re-use	An alternative use for underutilized or vacant facility space or VA owned land.

Risk	Any barrier to the success of a Business Planning Option's transition and implementation plan or uncertainty about the cost or impact of the plan.
Secondary care	Medical care provided by a specialist or facility upon referral by a primary care physician that requires more specialized knowledge, skill, or equipment than the primary care physician has. *(See Primary Care and Tertiary Care)*
Sector	Within each Market Area are a number of sectors. A sector is one or more contiguous counties. *(See Market Area)*
Stakeholder	A person or group who has a relationship with VA facility being examined or an interest in what VA decides about future activities at the facility.
Tertiary care	High specialized medical care usually over an extended period of time that involves advanced and complex procedures and treatments performed by medical specialists. *(See Primary Care and Secondary Care)*
Workload	The amount of CIC units by category determined for each market and facility by the Demand Forecast.

Mental Health Indicators

Table 13 - Mental Health Indicators

Indicator	Description
New Dx Dep - F/U X3 (mdd6n)	Percentage of patients with a new diagnosis of depression who have at least three clinical follow-up visits in the 12 acute periods after diagnosis (current PM)
New Dx Dep - Meds (mdd7n)	Percentage of patients with a new diagnosis of depression who have medication for at least 84 days in the acute treatment period (current PM)
Homeless Dchg Indep (fnct2n)	Percentage of veterans discharged from a domiciliary care for homeless veterans (DCHV), grand and per diem program, or healthcare for homeless veterans community-based contract residential care program to independent living
Screen for Alcohol (sa3)	Percentage of patients screened for high risk alcohol use with the AUDIT-C instrument (past and current PM)
Screen for MHICM (mhc1)	Percentage of psychiatry patients with high utilization of inpatient psychiatry services who are screened for mental health intensive care case management (past and current PM)
Screen for PTSD (ptsd1)	Percentage of all veterans screened for post traumatic stress disorder (PTSD) in the previous 12 months (SI)
SUD Cont of Care (sa5)	Percentage of patients entering specialty substance abuse treatment who maintain continuity of care for at least 90 days (past and current PM)