



**Capital Asset Realignment for
Enhanced Services (CARES)**

Stage I Summary Report
Site: **Louisville**

August 2005

This report was produced under the scope of work and related terms and conditions set forth in Contract Number V776P-0515. PricewaterhouseCoopers LLP's (PwC) work was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants (AICPA). PwC's work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation service in accordance with standards established by the AICPA. Accordingly, PwC does not express an opinion or any other form of assurance on the financial statements of the Department of Veterans Affairs or any financial or other information or on internal controls of the Department of Veterans Affairs.

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.

OVERVIEW AND CURRENT STATE

Statement of Work

The CARES statement of work specifies the following for the Louisville VAMC site:

“The determination of the need for a replacement hospital and the size and services will be provided including an estimate of the capital and operating costs of the new facility and a comparison to maintaining the current facility. Special attention will be given to referral patterns from VA facilities.”

Summary of Market

The Louisville VAMC is an active, affiliated acute and ambulatory care facility located on a 47-acre hilltop near downtown Louisville, overlooking the Ohio River. It is a teaching hospital, providing a full range of patient care services, as well as education and research programs. The Louisville VAMC’s main campus is located at 800 Zorn Avenue, Louisville, Kentucky and is a part of the Veterans Integrated Service Network (VISN) 9 Northern Market.

The VISN 9 Northern Market has about 117,000 enrolled veterans. About 95% of patients using ambulatory services and about 93% of patient using inpatient services in 2003 were from VISN 9. Over the next 20 years, the number of enrolled veterans in Priority Groups 1-6 is expected to increase by 1%, from 83,882 to 84,460.

Currently, the Northern Market area achieves a drive time standard for primary care of 61.6%. This is about 8% less than the guideline of 70%. This figure has remained constant for the past few years. For acute hospital care, the percent of enrollees within the driving time threshold is 85.3%, which exceeds the access guideline (65% of enrollees within 60 minutes) by 20%. This measure has also remained unchanged over the past few years. Current tertiary data has not yet been obtained; therefore, a current analysis is unavailable.

Table 1: VA Drive Time Standards for Northern Market

VA Drive Time Guidelines					
Primary Care		Acute Hospital		Tertiary Care ¹	
Baseline	Meets Threshold (70%)	Baseline	Meets Threshold (65%)	Baseline	Meets Threshold
61.6%	No	85.3%	Yes	N/A	N/A

Summary of Current Services Provided

The Louisville VAMC is an acute care and outpatient hospital with 114 operating inpatient beds. The VAMC provides a full range of patient care services in the areas of medicine, surgery, psychiatry, physical medicine and rehabilitation, neurology, oncology, dentistry, and geriatrics

¹ Tertiary care data is based on 2001 figures. All other information is based on 2003 figures.

and extended care. The emergency department is currently under renovation and should be complete in 2006.

In early 2004, the VAMC opened a new eye clinic, dental suite (12 treatment rooms) and completely updated prosthetics department. The facility has a newly-renovated ambulatory surgery unit (5 beds).

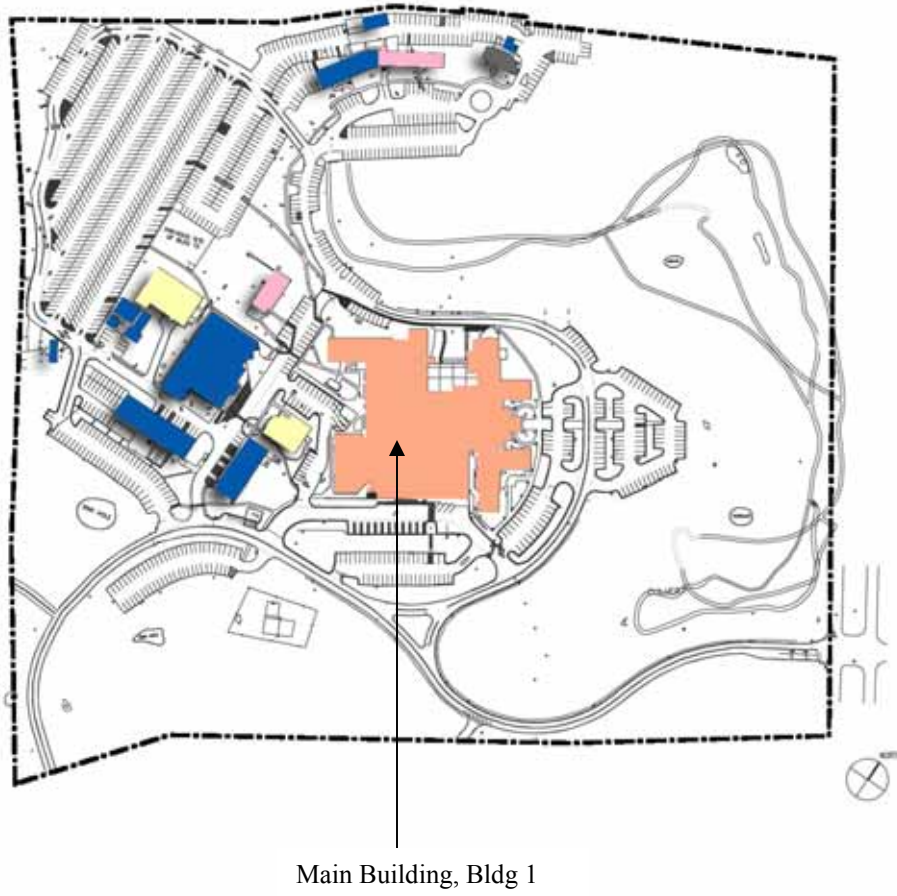
Ambulatory and inpatient medicine and surgery services are supported by basic diagnostic ancillaries, including CT scan, MRI, angiography, echocardiology, EEG, EMG, ultrasound, neuroradiology and nuclear medicine. Mammography and PET scans are not provided on the campus. Clinical laboratory services include routine and special chemistry, cytopathology, GLC mass spectroscopy, immunohistochemistry, microbiology, serology and surgical pathology. Some specialized laboratory testing services are referred out.

Tertiary services not provided at the Louisville VAMC are referred either to other VAMCs in the VISN or contracted out to community providers. Examples of these referred services are allergy, dialysis, cardiac surgery and transplants. VA specialized programs in blind rehabilitation and spinal cord injury are provided at other VAMCs.

Summary of Current Facility Condition

The Louisville VA site sits atop the summit of a hill overlooking the Ohio River and is roughly square in shape, containing a total area of an estimated 47 acres. Topography is steep and wood covered, and a ravine is located just north of the center of the site. The campus is composed of one main hospital building and 15 out-buildings, including the following: two research buildings, a credit union, laundry facility, power plant, and engineering shops. The buildings, parking, and related improvements were constructed over a period of four years between 1947 and 1951. The main hospital building is well maintained but has significant fire and life safety issues regarding the location of stairways and fire ratings of chases. Floor to floor heights in the main building meet 1950's standards but are minimal for today's standards. These structural issues make it very difficult to create a safe, modern, and secure environment. At the current capacity, very little transitional space is available within the facility, and here is no appreciable vacant space on the campus or in the buildings. The figure below illustrates the site map of the Louisville VAMC campus.

Figure 1: Site Map of Louisville VAMC Campus



Community Information

Healthcare Market Assessment

The Greater Louisville healthcare market has about 15 acute care hospitals. The market is dominated by five non-profits: Norton Healthcare, Jewish Hospital Healthcare Services, Baptist Healthcare System, Caritas Health Services, and the University of Louisville Hospital. The Louisville Medical Center campus, which is about five miles from the Louisville VAMC, is comprised of three hospitals, Norton Hospital, Jewish Hospital and the University of Louisville Hospital. The University of Louisville Hospital is owned by the University of Louisville and is in a joint management arrangement with the other two hospitals. It is a highly regarded research and education hospital and is the primary adult teaching hospital. It has a Level I trauma center. The University of Louisville is the Louisville VAMC's affiliate and has approached the VA about additional collaborative efforts.

Real Estate Market Assessment

Residential

Jefferson County, where the Louisville VAMC resides, has grown in size since 1990, increasing from 664,937 residents to 700,300 residents in 2004, representing an annualized increase of about 0.37% per year and reflecting annual growth of about 2,500 new residents per year. Between 1990 and 2000, total households increased at an annualized rate of 0.83%, reflecting an annual increase of 2,280 households. Overall housing price growth since 2000 has been notably average, with a 1-year rate of 5.3%.

The immediate neighborhood around the Louisville VAMC site includes a considerable variety of housing products and price levels. Across Zorn Avenue to the east, single-family homes priced in the \$216,000 to \$374,000-range predominate. West and south of the VA site, housing prices are very mixed with small single-family homes along Country Club Road pricing at between \$81,000 and \$179,000. The current apartment market appears rather soft. There are several older apartment projects offering a mix of 1, 2, and 3 bedroom apartments with unit sizes in the 600 to 1,000 SF range and rents in the \$500 to \$730 per month range.

Class A office space is classified as investment grade projects, generally non-speculative in nature, supporting the highest rents in the market with above average mechanical systems, amenities, and interior finishes. Class B office space is considered to be more speculative investments compared to Class A, with average to good quality tenants, finishes, and amenities. Class B space attracts tenants more on price than on prestige. Class C office space includes older “no-frills” space with below average internal mechanical systems, elevators, and related amenities.

Office

The Jefferson County Office market has shown modest improvement in health since 2002, with vacancy rates falling to about 11% for Class A space. This improvement was offset by a

significant increase of 27% in vacancy levels for Class B space. Downtown Louisville's office market improved slightly, with vacancy rates falling to about 19%. Overall suburban rates are slightly lower. Downtown rents appear to range from about \$17 to \$24 per SF for Class A, and \$9 to \$17 per SF for Class B space.

Research into employment sectors that typically use office space, including professional services, administration, real estate, information services, and finance and insurance was significant. Team PwC noted a significant 5-year trend in office space using employment, with an increase of about 2,900 new positions per year between 1998 and 2002, which includes growth to an employment peak in 2000, with relative decreases in 2001 and 2002.

Retail

The Louisville retail market is focused in part on the continuing redevelopment of downtown, linked with the recent development of the 4th Street Live! Entertainment and mixed use development. Significant suburban retail concentrations have evolved along I-265, with lifestyle projects such as the Summit and Springhurst Town Center having been developed since 2000. The Summit project is located about seven miles east of the VA site. Market dynamics for retail remain generally strong, with vacancy rates at about 9% and with rental rates ranging from as high as \$40 per SF for smaller in-line stores in high profile locations to \$25 per SF in other strong suburban retail locations.

Hotel

The hotel market focuses primarily on one property along Zorn Avenue across I-71 from the VA site. The property, the Ramada Inn Rivermont Center, includes 117 rooms and was built in 1970. This older property is currently charging room rates in the \$60 to \$70 range. The overall market added about 235 rooms per year between 2000 and 2005, with a share of construction occurring downtown, related to the downtown convention and entertainment project. Given the lack of supporting commercial or retail uses around the Zorn Avenue intersection, as well as its proximity to hotel concentrations in the downtown area and further to the east (within 5 miles), initial prioritization of the hotel would be difficult. Looking to the long term, Team PwC could envision a smaller hotel project built as part of a mixed-use re-use plan for the entire site, assuming that access issues can be resolved.

Opportunities for Retail Use on the VAMC Campus

After consideration of the various property and real estate factors, the following was concluded:

- Light / heavy industrial and flex space development appears to be incompatible with adjacent uses, which are entirely residential in character. Also, site topography would make semi-trailer access to the site difficult.
- While the VA site's topography enhances views (and property value), the rapid gain in slope creates complex access challenges that will have negative implications for higher density destination commercial office or retail uses that generate higher traffic volumes.

With the above in mind, residential re-use presents the key opportunity with office, retail, and hotel options discussed only as supporting uses.

The site topography, location, access and potential hospital locations result in only two re-use options. The baseline option is that the hospital remains on the site with no re-use potential. The other option is to abandon the site in total and make it available for re-use. Therefore, Figure 1, as previously shown outlines the re-use parcel in totality.

Business Plan Option (BPO) Development

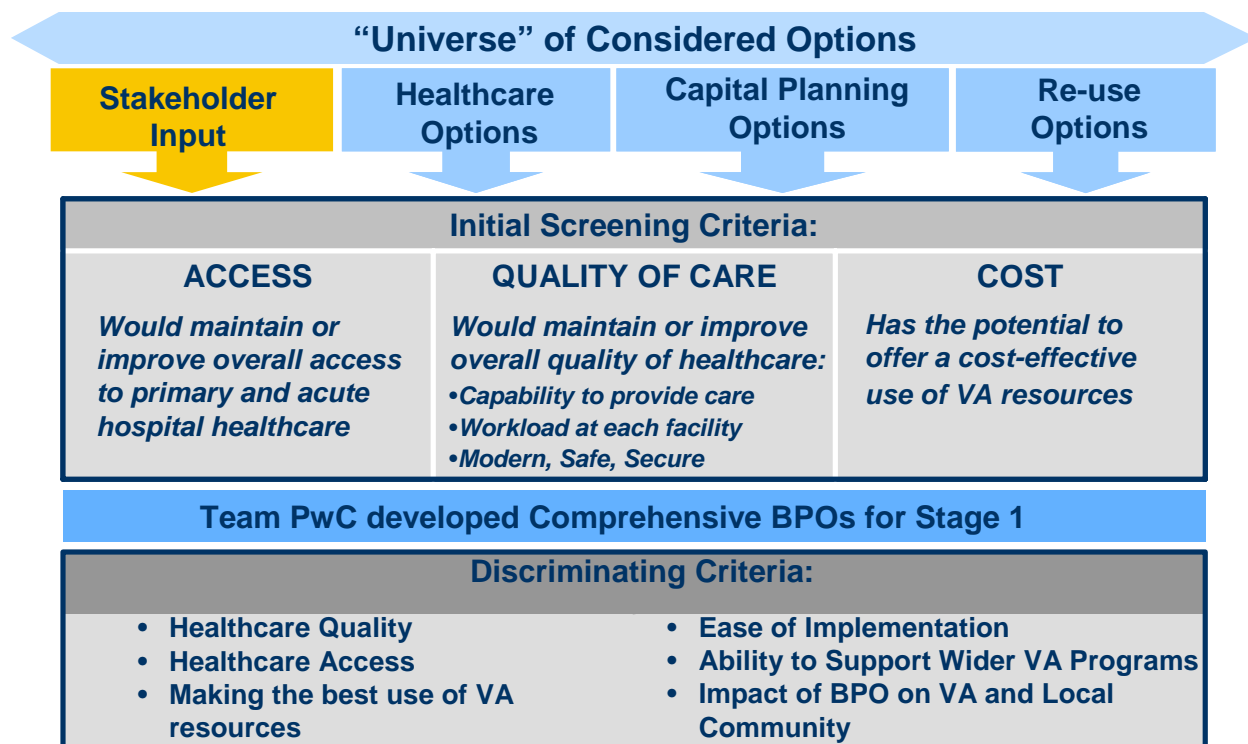
Option Development Process

Team PwC developed a set of comprehensive BPOs to be considered for the Louisville VAMC. A comprehensive BPO is defined as consisting of a single healthcare option (HC) combined with at least one associated capital planning option (CP) and re-use option (RU). Therefore, the formula for a comprehensive BPO would be:

$$\text{Comprehensive BPO} = \text{HC option} + \text{CP option} + \text{RU option}$$

A multi-step process was employed in the development and selection of these comprehensive BPOs to be further assessed. Initially, a broad range or “universe” of discrete and credible healthcare and associated capital planning and re-use options were developed by the teams. These options were tested against the agreed-upon initial screening criteria of access, quality, and cost. The healthcare, capital, and re-use options that passed the initial screenings were then further considered to be potential healthcare, capital, and re-use options to comprise a comprehensive BPO. All of the comprehensive BPOs were then further assessed at a more detailed level according to a set of discriminating criteria.

Figure 3: Option Development Process



Stakeholder Concerns

For the Louisville CARES Study Site, 25 forms of stakeholder input were received between January 1, 2005 and June 30, 2005 including comment forms (paper and electronic), letters, written testimony, oral testimony, and other forms. The greatest amount of input was received from veterans. Other respondent groups with modest response rates included veteran’s family members, VA or VAMC employees, educational affiliates, and unidentified individuals.

The most common key concerns among stakeholders were access, use of the facility and the quality of healthcare services. There was also a large amount of input concerning the effect on the local economy. Most of the “effect on local economy” comments are in favor of moving the facility to a downtown location near the University of Louisville. These comments were categorized as 'effect on economy' because they speak to the (majority positive) effect a move to the downtown location would have.

Table 2: Definitions of Stakeholder Concerns

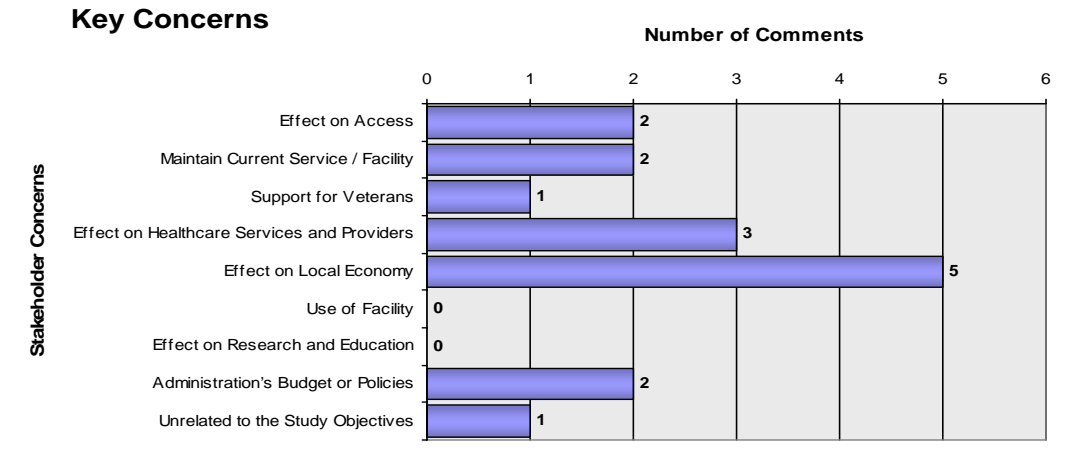
Stakeholder Concern	Definition
Effect on Access	Involves a concern about traveling to another facility or the location of the present facility.
Maintain Current Service/Facility	General comments related to keeping the facility open and maintaining services at the current site.
Support for Veterans	Concerns about the federal government/VA's obligation to provide health care to current and future veterans.
Effect on Healthcare Services & Providers	Concerns about changing services or providers at a site.
Effect on Local Economy	Concerns about loss of jobs or local economic effects of change.
Use of Facility	Concerns or suggestions related to the use of the land or facility.
Effect on Research & Education	Concerns about the impact a change would have on research or education programs at the facility.
Administration's Budget or Policies	Concerns about the effects of the administration's budget or other policies on health care for veterans.
Unrelated to the Study Objectives	Other comments or concerns that are not specifically related to the study.

Figures 4 & 5: Analysis of Stakeholder Key Concerns

VA CARES BUSINESS PLAN STUDIES
 STAKEHOLDER INPUT ANALYSIS REPORT
 Louisville Study Site

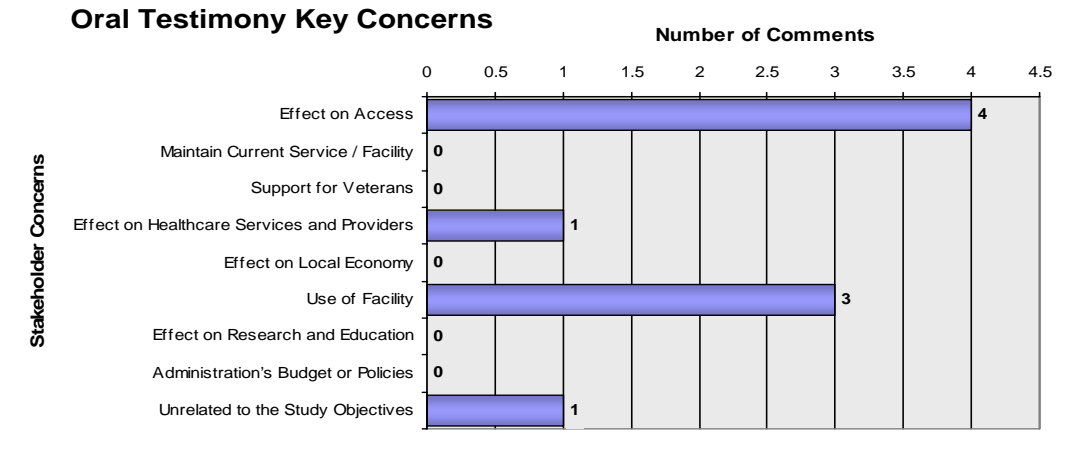
**Analysis of Written and Electronic Inputs
 (Written and Electronic Only):**

The breakout of “Key Stakeholder Concerns” regarding the Louisville study site is as follows*:



**Analysis of Oral Testimony Input Only
 (Oral Testimony at LAP Meeting):**

The breakout of “Key Stakeholder Concerns” that were expressed during Oral Testimony for the Louisville study site is as follows*:



* Note that totals reflect the number of times a "key concern" was raised by a stakeholder. If one stakeholder addressed multiple "key concerns", each concern is included in the totals.

COMPREHENSIVE BUSINESS PLANNING OPTIONS

Baseline Option

The Baseline is the BPO under which there would not be significant changes in either the location or type of services provided in the study site. In the Baseline BPO, the Secretary’s CARES Decision Document and forecasted long-term healthcare demand forecasts and trends, as indicated by the demand forecasted for 2023, are applied to the current healthcare provision solution for the study site.

Specifically, the Baseline BPO is characterized by the following:

- Healthcare continues to be provided as currently delivered, except to the extent healthcare volumes for particular procedures fall below key quality or cost effectiveness threshold levels.
- Capital planning costs allow for current facilities to receive such investment as is required to rectify any material deficiencies (e.g., in safety or security) such that they would provide a safe healthcare delivery environment as required in the Secretary’s CARES Decision Document.
- Life cycle capital planning costs allow for on-going preventative maintenance and life cycle maintenance of major and minor building elements.

Therefore, the Baseline is the current state projected out to 2013 and 2023 without any changes to facilities or programs but accounting for projected utilization changes, and assuming same or better quality and necessary maintenance for a safe, secure, and modern healthcare environment.

Options Not Selected for Assessment

The following options were considered, but were not selected for assessment as a component of a comprehensive BPO.

Table 3: Options Not Selected for Assessment

Label	Description	Screening Results
Segregate Specialty Ambulatory from Inpatient		
Development of options that segregate specialty ambulatory care service from inpatient	Creation of separate locations to provide specialty ambulatory care from inpatient care, in a new hospital or a hospital collocated with the University of Louisville	Fail: Quality and Efficiency. Segregating ambulatory specialty and inpatient by location creates significant inconveniences for both veterans and physicians and often requires duplication of technology or multiple visits.
Referral Center		
Creation of a referral center for the VISN	Creation of a referral center to create programs and reduce contracting out services, such as open heart surgery	Fail: Potential impact on academic affiliates, research, and access for veterans.
Research		

Label	Description	Screening Results
Move research to off-hospital location	Move two floors of research occurring in the hospital building to an off-site building	Fail: Quality and Efficiency – inability to perform on-site research
Logistical Support		
Maintaining logistical support buildings (i.e. laundry, etc.)	Creation of options that discontinue services that can be contracted	Fail: Cost effectiveness of rebuilding new facility
Partial Re-use		
Re-use of a limited amount of land at the Zorn Avenue site	Several options provide parcels of land from five to seven acres at Zorn Avenue	Fail: Safe and secure access environment for veterans
Contracting		
Contract out to community providers and close facility	Creation of multiple contracts for care	Fail: Access to providers, quality and efficiency due to use of multiple providers
Replacement		
Replacement hospital at Zorn Avenue. Separate inpatient and specialty care from primary care and build primary care CBOC	Creation of separate locations outside of downtown	Fail: Cost effectiveness of operating two sites without offsetting savings
Renovate with addition at Zorn without VBA		
Renovate with addition at Zorn Avenue without collocating VBA	Surplus of non-clinical space at Zorn Avenue	Fail: Cost effectiveness, need to support wider VA programs

Comprehensive BPOs to Be Assessed in Stage I

The comprehensive BPOs incorporate healthcare, capital and re-use option components as previously described. The combinations of healthcare, capital and re-use options were formulated to determine the most appropriate options for the site. The table below describes each of the BPOs and the support for their selection.

Table 4: Comprehensive BPOs for Assessment

BPO Designation	Label	Description	Support for BPO Selection
BPO 1 Comprising: HC-1/CP-1/RU-1	Baseline	Maintain current hospital and renovate to standard.	<ul style="list-style-type: none"> No identified upfront capital costs necessary in the short-term Continuity of patient care in the short-term Avoids the need for a new site Maintains VAMC autonomy
BPO 2 Comprising: HC-2A/CP-2A/RU-1	Replacement hospital at Zorn Avenue with VBA.	Construct new hospital and parking structure that meets 2023 demand on current site, but different location. Relocate logistics. Collocate VBA.	<ul style="list-style-type: none"> Maintains Zorn Avenue location Provides flexibility on-site through demolition of existing buildings Provides a modern, safe, and secure environment for veterans and employees and meets 2023 demand

BPO Designation	Label	Description	Support for BPO Selection
			<ul style="list-style-type: none"> • Avoids the need to purchase a new building site • Provides for continuity of care during construction • Minimizes patient disruption and transition during construction • Supports relationships with the University of Louisville (UofL), DOD and other VAMCs and VBA
<p>BPO 3 Comprising: HC-2B/CP- 2A/RU-1</p>	<p>Replacement hospital at current site. No collocation with VBA.</p>	<p>Construct new hospital and parking structure that meets 2023 demand on current site, but different location. Relocate logistics.</p>	<ul style="list-style-type: none"> • Maintains Zorn Avenue location • Provides for flexibility on-site through demolition of existing buildings. • Provides a modern, safe, and secure environment for veterans and employees and meets 2023 demand • Avoids the need to purchase a new building site • Provides for continuity of care during construction • Minimizes patient disruption and transition during construction • Supports relationships with the UofL and DOD
<p>BPO 4 Comprising: HC-3A/CP- 3A/RU-1</p>	<p>Renovate facility with addition. Collocate VBA.</p>	<p>Provide all inpatient and outpatient care in new addition with admin in renovated old hospital building. Vacate other old buildings. Collocate VBA.</p>	<ul style="list-style-type: none"> • Provides a safe, modern and secure healthcare environment for veterans and employees and meets 2023 demand • Provides for a phased capital requirement • Provides for continuity of care during construction • Alleviates issues of floor to floor height and other structural issues with current building that limits effective renovation • Maintains Zorn Avenue location • Provides for flexibility on-site through demolition of existing buildings • Avoids the need to purchase a new building site • Supports relationships with the UofL and DOD
<p>BPO 5 Comprising HC-3C/CP- 3B/CP-5/RU-1</p>	<p>Renovate facility with addition (inpatient and specialty care). Build primary care CBOC on separate site. Collocate VBA.</p>	<p>Provide all inpatient and outpatient care in current facility with new addition particularly suited for ancillary services. Build CBOC. Collocate VBA.</p>	<ul style="list-style-type: none"> • Maintains Zorn Avenue location • Provides a safe, modern, and secure healthcare environment for veterans and employees and meets 2023 demand • Avoids the need to purchase a new hospital building site

BPO Designation	Label	Description	Support for BPO Selection
			<ul style="list-style-type: none"> • Provides for a phased capital requirement • Provides for continuity of care during construction • Minimizes patient disruption and transition during construction • Supports relationships with the UofL, DOD and other VAMCs • Addresses the access issues raised by the stakeholders by locating primary care services in a CBOC convenient to veterans • Efficiencies of collocating VBA
<p>BPO 6</p> <p>Comprising: HC-4A/CP-4A/RU-2</p>	<p>Collocate with UofL. Full re-use of site.</p>	<p>Provide all inpatient and outpatient care in a new hospital collocated at the UofL. Full re-use of site.</p>	<ul style="list-style-type: none"> • Provides an efficient, safe, secure, and modern healthcare environment and meets 2023 demand. • Minimizes patient disruption and transition during construction • Provides for continuity of care during construction • Provides entire Zorn Avenue site for re-use development. • Enhances affiliation agreement with the UofL both through proximity and potential sharing of technology.
<p>BPO 7</p> <p>Comprising: HC-4B/CP-4E/CP-5/RU-2</p>	<p>Collocate inpatient and specialty care with UofL. Primary care CBOC at separate site. Full re-use of site.</p>	<p>Provide all inpatient and specialty care in a new hospital collocated at the UofL. Build primary care CBOC that meets access standard on separate site. Full re-use of site.</p>	<ul style="list-style-type: none"> • Provides an efficient, safe, secure, and modern healthcare environment and meets 2023 demand • Minimizes patient disruption and transition during construction • Provides for continuity of care during construction • Provides entire Zorn Avenue site for re-use development • Enhances affiliation agreement with the UofL both through proximity and potential sharing of technology • Addresses the access issues raised by the stakeholders by locating primary care services in a CBOC convenient to veterans
<p>BPO 8</p> <p>Comprising: HC-4C/CP-4B/RU-2</p>	<p>Collocate all patient services at UofL. Share ancillary services with UofL.</p>	<p>Provide all patient services in a new hospital collocated at the UofL. Share ancillary services with UofL.</p>	<ul style="list-style-type: none"> • Provides an efficient, safe, secure, and modern healthcare environment and meets 2023 demand • Minimizes patient disruption and transition during construction • Provides for continuity of care

BPO Designation	Label	Description	Support for BPO Selection
			during construction <ul style="list-style-type: none"> • Provides entire Zorn Avenue site for re-use development • Enhances affiliation agreement with the UofL both through proximity and potential sharing of technology • Provides a cost sharing environment to encourage enhancement of technology at a quicker pace • Provides for cost efficiencies through sharing of technologies and support services
<p>BPO 9</p> <p>Comprising: HC-4D/CP-4F/CP-5/RU-2</p>	Collocate inpatient and specialty care with UofL. Share ancillary services with UofL. Build primary care CBOC on separate site.	Provide all inpatient and specialty care outpatient services in a new hospital collocated at the UofL. Share ancillary services with the UofL. Build a primary care CBOC to meet primary care access guidelines.	<ul style="list-style-type: none"> • Provides an efficient, safe, secure, and modern healthcare environment to meet 2023 demand • Provides entire Zorn Avenue site for re-use development. • Enhances affiliation agreement with the UofL both through proximity and potential sharing of technology. • Provides a cost sharing environment to encourage enhancement of technology at a quicker pace • Addresses the access issues raised by stakeholders by locating primary care services in a CBOC convenient to veterans
<p>BPO 10</p> <p>Comprising: HC-5A/CP-4A/RU-2</p>	Construct replacement hospital near UofL. Collocate VBA. Full re-use.	Construct new hospital and parking structure that meets 2023 demand on new site near UofL. Collocate VBA. Complete re-use.	<ul style="list-style-type: none"> • Provides an efficient, safe, secure, and modern healthcare environment and meets 2023 demand • Provides entire Zorn Avenue site for re-use development • Enhances affiliation agreement with the UofL both through proximity and potential sharing of technology • Provides a cost sharing environment to encourage enhancement of technology at a quicker pace • Collocate VBA
<p>BPO 11</p> <p>Comprising: HC-5B/CP-4B/RU-2</p>	Construct replacement hospital near UofL. Full re-use.	Construct new hospital and parking structure that meets 2023 demand near UofL. Complete re-use. Do not collocate VBA.	<ul style="list-style-type: none"> • Provides an efficient, safe, secure, and modern healthcare environment and meets 2023 demand. • Minimizes patient disruption and transition during construction

BPO Designation	Label	Description	Support for BPO Selection
			<ul style="list-style-type: none"> • Provides for continuity of care during construction • Provides entire Zorn Avenue site for re-use development • Enhances affiliation agreement with the UofL both through proximity and potential sharing of technology
<p>BPO 12</p> <p>Comprising: HC-5C/CP-4D/CP-5A/RU-2</p>	<p>Construct replacement hospital near UofL limited to inpatient and specialty care. Primary care CBOC at separate location. Collocate VBA. Full re-use.</p>	<p>Construct new hospital and parking structure that meets 2023 inpatient and specialty care demand on new site near UofL. Collocate with VBA. Complete re-use for current site. Build primary care CBOC to meet access guidelines.</p>	<ul style="list-style-type: none"> • Provides an efficient, safe, secure, and modern healthcare environment to meet 2023 demand • Provides entire Zorn Avenue site for re-use development • Efficiencies of locating near the UofL • Improved primary care access with CBOC • Provides for continuity of care during construction • Minimizes patient disruption and transition during construction • Supports relationships with the UofL, DOD, and VBA • Depending on build site: room to expand
<p>BPO 13</p> <p>Comprising: HC-5D/CP-4E/CP-5A/RU-2</p>	<p>Construct replacement hospital near UofL limited to inpatient and specialty care. Primary care CBOC at separate location. Full re-use.</p>	<p>Construct new hospital and parking structure that meets 2023 inpatient and specialty care demand on new site near UofL. Build primary care CBOC to meet access guidelines. Complete re-use for current site. Do not collocate VBA.</p>	<ul style="list-style-type: none"> • Provides an efficient, safe, secure, and modern healthcare environment to meet 2023 demand • Provides entire Zorn Avenue site for re-use development • Efficiencies of locating near the UofL • Improved primary care access with CBOC • Provides for continuity of care during construction • Minimizes patient disruption and transition during construction • Supports relationships with the UofL and DOD • Depending on build site: room to expand

ASSESSMENT SUMMARY

Table 5: Assessment Summary

Assessment Summary	BPO 2	BPO 3	BPO 4	BPO 5
Healthcare Access				
Primary	↔	↔	↔	↔
Acute	↔	↔	↔	↔
Tertiary	↔	↔	↔	↔
Healthcare Quality				
Quality of medical services	↔	↔	↔	↔
Modern, safe, and secure environment	↑	↑	↑	↑
Meets forecasted service need	↑	↑	↑	↑
Impact on Local Community				
Human Resources:				
FTEE need (based on volume)	Incr	Incr	Incr	Incr
Recruitment / retention	↑	↑	↑	↑
Research	↑	↑	↑	↑
Education and Academic Affiliations	↑	↑	↑	↑
Cost Effectiveness				
Operating cost effectiveness	-	-	-	-
Level of expenditure anticipated	-	-	↓↓	↓↓
Level of reuse proceeds	-	-	-	-
Cost avoidance opportunities	-	-	-	-
Overall cost effectiveness	-	-	-	-
Ease of Implementation				
Riskiness of BPO implementation	↔	↔	↔	↔
Wider VA Program Support				
DoD sharing	↑	↑	↑	↑
One-VA Integration	↑	↔	↑	↑
Special Considerations	↔	↔	↔	↔

Assessment Summary Continued

Assessment Summary	BPO 6	BPO 7	BPO 8	BPO 9
Healthcare Access				
Primary	↔	↔	↔	↔
Acute	↔	↔	↔	↔
Tertiary	↔	↔	↔	↔
Healthcare Quality				
Quality of medical services	↔	↔	↔	↔
Modern, safe, and secure environment	↑	↑	↑	↑
Meets forecasted service need	↑	↑	↑	↑
Impact on Local Community				
Human Resources:				
FTEE need (based on volume)	↑	↑	↓	↓
Recruitment / retention	↔	↔	↔	↔
Research	↑	↑	↑	↑
Education and Academic Affiliations	↑	↑	↑	↑
Cost Effectiveness				
Operating cost effectiveness	-	-	-	-
Level of expenditure anticipated	-	-	↑↑	-
Level of reuse proceeds	↑↑-	↑↑	↑↑	↑↑
Cost avoidance opportunities	-	-	-	-
Overall cost effectiveness	-	-	-	-
Ease of Implementation				
Riskiness of BPO implementation	↑	↑	↑	↑
Wider VA Program Support				
DoD sharing	↔	↔	↔	↔
One-VA Integration	↔	↔	↔	↔
Special Considerations	↔	↔	↔	↔

Assessment Summary Continued

Assessment Summary	BPO 10	BPO 11	BPO 12	BPO 13
Healthcare Access				
Primary	↔	↔	↔	↔
Acute	↔	↔	↔	↔
Tertiary	↔	↔	↔	↔
Healthcare Quality				
Quality of medical services	↔	↔	↔	↔
Modern, safe, and secure environment	↑	↑	↑	↑
Meets forecasted service need	↑	↑	↑	↑
Impact on Local Community				
Human Resources:				
FTEE need (based on volume)	Incr	Incr	Incr	Incr
Recruitment / retention	↔	↔	↔	↔
Research	↑	↑	↑	↑
Education and Academic Affiliations	↑	↑	↑	↑
Cost Effectiveness				
Operating cost effectiveness	-	-	-	-
Level of expenditure anticipated	-	-	-	-
Level of reuse proceeds	↑↑	↑↑	↑↑	↑↑
Cost avoidance opportunities	-	-	-	-
Overall cost effectiveness	-	-	-	-
Ease of Implementation				
Riskiness of BPO implementation	↔	↔	↔	↔
Wider VA Program Support				
DoD sharing	↔	↑	↑	↑
One-VA Integration	↑	↔	↑	↔
Special Considerations	↔	↔	↔	↔

Evaluation System for BPOs

The evaluation system below is used to compare each BPO to the Baseline BPO.

Table 6: Evaluation System for BPOs

Rating for all categories except cost and overall evaluation	
↑	The BPO has the potential to provide a slightly improved quality of healthcare or better access than the Baseline BPO
↔	The BPO has the potential to provide materially the same quality of healthcare or level of access as the Baseline BPO
↓	The BPO has the potential to provide a slightly lower quality of healthcare or reduced access than the Baseline BPO
Operating cost effectiveness (based on results of initial healthcare/operating costs)	
↑↑↑↑	The BPO has the potential to provide significant recurring operating cost savings compared to the Baseline BPO (>15%)
↑↑	The BPO has the potential to provide significant recurring operating cost savings compared to the Baseline BPO (>10%)
↑	The BPO has the potential to provide some recurring operating cost savings compared to the Baseline BPO (5%)
-	The BPO has the potential to require materially the same operating costs as the Baseline BPO (+/- 5%)
↓	The BPO has the potential to require slightly higher operating costs than the Baseline BPO (>5%)
↓↓	The BPO has the potential to require slightly higher operating costs than the Baseline BPO (>10%)
↓↓↓	The BPO has the potential to require slightly higher operating costs than the Baseline BPO (>15%)
Level of capital expenditure anticipated (based on results of initial capital planning costs)	
↓↓↓↓	Very significant investment required relative to the Baseline BPO (e.g. 2 or more times)
↓↓	Significant investment required relative to the Baseline BPO (e.g. 1-2 times)
-	Similar level of investment required relative to the Baseline BPO (+/- 20% of Baseline)
↑↑	Reduced level of investment required relative to the Baseline BPO (40-80% of Baseline)
↑↑↑↑	Almost no investment required
Level of Reuse proceeds relative to Baseline BPO (based on results of initial Reuse study)	
↓↓	High demolition/clean-up costs, with little return anticipated from Reuse
-	No material Reuse proceeds available
↑	Similar level of Reuse proceeds compared to Baseline (+/- 20% of Baseline)
↑↑	Higher level of Reuse proceeds compared to Baseline (e.g. 1-2 times)
↑↑↑	Significantly higher level of Reuse proceeds compared to Baseline (e.g. 2 or more times)
Cost avoidance (based on comparison to Baseline BPO)	
-	No cost avoidance opportunity
↑↑	Significant savings in necessary capital investment in the Baseline BPO
↑↑↑↑	Very significant savings in essential capital investment in the Baseline BPO
Overall Cost effectiveness (based on initial NPC calculations)	
↓↓↓↓	Very significantly higher Net Present Cost relative to the Baseline BPO (>1.15 times)
↓↓	Significantly higher Net Present Cost relative to the Baseline BPO (1.10 – 1.15 times)
↓	Higher Net Present Cost relative to the Baseline BPO (1.05 – 1.09 times)

-	Similar level of Net Present Cost compared to the baseline (+/- 5% of Baseline)
↑	Lower Net Present Cost relative to the baseline (90-95% of Baseline)
↑↑	Significantly lower Net Present Cost relative to the Baseline BPO (85-90% of Baseline)
↑↑↑↑	Very significantly lower Net Present Cost relative to the Baseline BPO (<85% of Baseline)
Overall “Attractiveness” of the BPO Compared to the Baseline	
↑↑↑↑	Very “attractive” – highly likely to offer a solution that improves quality and/or access compared to the baseline while appearing significantly more cost effective than the baseline
↑↑	“Attractive” – likely to offer a solution that at least maintains quality and access compared to the baseline while appearing more cost effective than the baseline
-	Generally similar to the Baseline
↓↓↓	Less “attractive” than the baseline - likely to offer a solution that while maintaining quality and access compared to the baseline and appearing less cost effective than the baseline
↓↓↓↓↓	Significantly less “attractive” – highly likely to offer a solution that may adversely impact quality and access compared to the baseline and appearing less (or much less) cost effective than the baseline

Acronyms

AMB	Ambulatory
BPO	Business Plan Option
CBOC	Community Based Outpatient Clinic
CIC	CARES Implementation Category
DoD	Department of Defense
IP	Inpatient
LAP	Local Advisory Panel
OP	Outpatient
MH	Mental Health
VA	Department of Veterans Affairs
VACO	VA Central Office
VAMC	Veterans Affairs Medical Center
VISN	Veterans Integrated Service Network

Definitions

Access Guidelines – Minimum percentage of enrollees living within a specific travel time to obtain VA care. For the CARES process, guidelines were defined as follows:

Access to Primary Care: 70 percent of veterans in urban and rural communities must be within 30 minutes of primary care; for highly rural areas, this requirement is within 60 minutes.

Access to Hospital Care: 65 percent of veterans in urban communities must be within 60 minutes of hospital care; for rural areas, this requirement is within 90 minutes; and for highly rural areas, this requirement is within 120 minutes.

Access to Tertiary Care: 65 percent of veterans in urban and rural communities must be within 4 hours of tertiary care; for highly rural areas, this requirement is within the VISN.

CARES (Capital Asset Realignment for Enhanced Services) – a planning process that evaluates future demand for veterans’ healthcare services against current supply and realigns VHA capital assets in a way that results in more accessible, high quality healthcare for veterans.