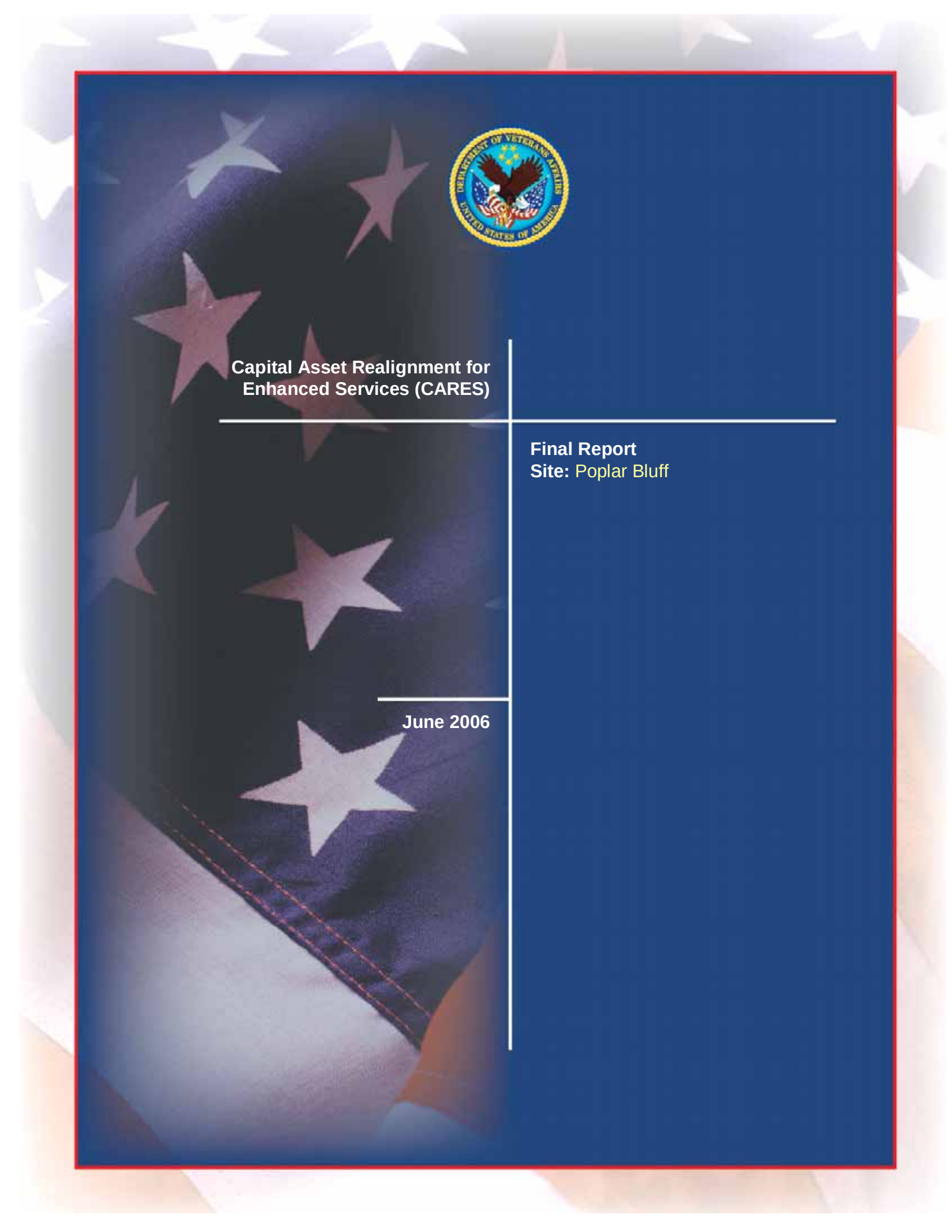

Capital Asset Realignment for Enhanced Services (CARES)

Final Report
Site: Poplar Bluff

June 2006

This report was produced under the scope of work and related terms and conditions set forth in Contract Number V776P-0515. Our work was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants (AICPA). Our 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, Team PwC did 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.

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Executive Summary

Project Overview

CARES is the Department of Veterans Affairs (VA's) effort to produce a logical, national plan for modernizing healthcare facilities. The Secretary's Decision Document May 2004 called for additional studies in certain geographic locations to refine the analyses developed in the CARES planning and decision-making process. Team PricewaterhouseCoopers (Team PwC) is assisting the VA in conducting the VA CARES Business Plan Studies at 18 sites around the United States as selected by the Secretary, which include site-specific requirements for Healthcare Delivery Studies, Capital Plans, and Re-use Plans. Poplar Bluff, Missouri is one of the CARES study sites and involves a cost effectiveness analysis of two different healthcare options.

The CARES study involved multiple stages and involves a Local Advisory Panel (LAP) who conducts a series of public meetings. A total of two Local Advisory Panel (LAP) meetings were held for Poplar Bluff. The Poplar Bluff LAP is comprised of five members with links to the community, the VA and with healthcare expertise. These meetings as well as other communication mechanisms support stakeholder input into the process. The objective of Team PwC's work in the Poplar Bluff CARES study was to determine the cost effectiveness of contracting inpatient care to a local community provider versus maintaining inpatient care at the Poplar Bluff VAMC.

Poplar Bluff Overview

- In fiscal year 2003, operated 35 inpatient medicine beds
- The campus contains eight buildings on 30 acres of land
- The buildings were constructed over a period of several years beginning in 1948
- Approximately 30% of the property is currently vacant
- The site does not contain any historic structures
- Capital improvements identified as requiring $16.3 million

The Poplar Bluff VAMC, John J. Pershing VA Medical Center is in VISN 15 and serves 24 counties in southeast Missouri and six counties in northeast Arkansas. Poplar Bluff is located approximately 150 miles from St. Louis, Missouri and Memphis, Tennessee. Accessibility to VA medical care is complicated by the large geographic area and lack of adequate public transportation. The facility is on over 30 acres surrounded on three sides by residential neighborhoods and on one side by commercial areas. The site is a relatively flat open parcel with approximately ten acres of undeveloped fringe area which could present opportunities for further development or re-development. The site is located near a prime development area which is expected to be enhanced upon completion of a new highway bypass that is currently under construction.

VISN 15 is made up of the following three markets, Central, East and West. Poplar Bluff is located in the East Market. The East Market contains approximately 131,194 enrolled veterans, or roughly 47% of all enrollees within VISN 15.

In evaluating business plan options for Poplar Bluff, the following major factors were considered along with other features in the full report:

Healthcare Access – Poplar Bluff is located in a rural area and the Poplar Bluff VAMC is approximately 150 miles from the next closest VA acute care facility. The local community provider is located less than one mile from the Poplar Bluff VAMC campus.

Healthcare Quality – While there are a number of community providers within a 60-mile radius of Poplar Bluff, only one provider met national guidelines for drive time requirements for access to acute care, provided a similar service mix as the VAMC, and had acceptable quality scores.

Cost Effectiveness – Relative to the local community provider, the per-unit cost of providing inpatient medicine is low at the Poplar Bluff VAMC. Delivering services through the VAMC and referrals to other Veterans Health Administration (VHA) facilities have been more cost effective than contracting with local community providers.

Level of Capital Expenditure Anticipated – $12 million is required to upgrade the HVAC system in the VAMC's main building. This investment is necessary regardless of the decision related to inpatient services as the main building would continue to support outpatients. Despite this investment, contracting inpatient medicine to a local community provider would not alter the decision to replace the HVAC system and allow for significant potential savings.

Healthcare Market Overview

The Poplar Bluff VAMC is located in Poplar Bluff, Missouri, a highly rural area located in excess of two and half hours (drive time) from the next closest VA acute care facilities. There are a number of local community provider facilities located within 60 miles of the Poplar Bluff VAMC. One such local community provider meets the service requirements and does not compromise access for veterans in the Poplar Bluff area.

Poplar Bluff Regional Medical Center[1]

The Poplar Bluff Regional Medical Center is a medium-sized acute care facility with a location less than one mile from the Poplar Bluff VAMC campus. The Poplar Bluff Regional Medical Center operates two campuses in Poplar Bluff - North and South. The North campus supports outpatient services and the South campus provides inpatient services and is the one close to the Poplar Bluff VAMC. The Medical Center is operated by Health Management Associates, Inc. (HMA) which operates acute care hospitals primarily in non-urban settings in the Southeastern and Southwestern areas of the country. The South campus operates 140 inpatient acute care

[1] Source: Solucient®

beds. Across the two campuses, Poplar Bluff Regional Medical Center offers a range of inpatient services including medicine, cardiology, neurology, urology, surgery, and outpatient services including radiology, orthopedics, physical therapy, mental health, and other ambulatory care services.

Business Plan Options

Team PwC considered input received from the Poplar Bluff VAMC stakeholders when evaluating business plan options (BPOs). For the Poplar Bluff CARES Study Site, 17 forms of stakeholder input were received during Input Period One, including comment forms (paper and electronic), letters, and oral testimony. Input Period One started on April 20, 2005 (the first day input regarding the CARES process was received) and ended on August 18, 2005. During this period a comment form was available electronically via the CARES website and in paper form at the first Poplar Bluff LAP public meeting on June 7, 2005. Input Period One ended when the BPOs for the Poplar Bluff VAMC were released to the public and a second options-specific comment form became available. The results indicated that stakeholders prefer that service delivery remains at the Poplar Bluff VAMC and the current quality of care be maintained.

Input Period Two began on August 19, 2005, when the BPOs for the Poplar Bluff VAMC were released to the public, and a new options-specific comment form became available. Input Period Two ended on September 24, 2005, ten calendar days after the public meeting, which occurred on September 14, 2005. The ten-day comment period was enacted in order to provide timely feedback to the Secretary in the form of a stakeholder input analysis report. The BPOs for the Poplar Bluff VAMC were presented in greater detail to the LAP and the public at the second LAP public meeting. As with the first public meeting, stakeholders had the opportunity to provide testimony and submit written comments during this meeting.

Only one form of input was received during Input Period Two; a single person spoke at the second LAP meeting. This individual expressed satisfaction with the current state of the hospital, and concern about keeping the facility open. Both the oral testimony and public comment forms received prior to the second LAP meeting consistently included expressions of support for maintaining inpatient services at the Poplar Bluff VAMC, which is the baseline option.

For the Poplar Bluff study, the CARES Commission Report, May 2004 directed the VA to assess the cost effectiveness of two options: maintaining inpatient beds at the Poplar Bluff VAMC versus contracting inpatient services to a local community provider. No other options were proposed by the LAP.

BPO Recommendation

Team PwC's BPO recommendation was based on several factors. The pros and cons, as well as assessment results against the discriminating criteria, were considered to determine the overall attractiveness of each BPO. In addition, stakeholder feedback received during each LAP meeting and through the electronic comment forms was assessed, and the voting results of the

LAP during the second LAP meeting were considered. All of these inputs contributed to the selection of the recommended BPO for Poplar Bluff, which is summarized in Table 1.

Table 1: BPO Recommendations

BPO	Team PwC Recommendation	Rationale for Recommendation	LAP Support
BPO 1 **Baseline: Maintain Inpatient Medicine at the Poplar Bluff VAMC**	Recommended	• BPO 1 would maintain the only VA provider of inpatient medicine services in a large geographic area (about 100 mile radius). These beds would continue to provide access within guidelines for veterans in the Poplar Bluff service area. • Quality would remain at the same level and potentially improve. Assuming that the critical volume of services are provided to maintain adequate quality of care, the recent addition of a cardiologist to the VAMC staff may result in higher levels of care. The addition of a cardiologist means that veterans in the Poplar Bluff area will have direct access to inpatient cardiology services and will not have to travel to St. Louis, MO or Little Rock, AR to receive care. • The per unit cost of care for providing inpatient medicine services is lower at the Poplar Bluff VAMC than the local community provider. BPO 1 would result in maintaining a relatively low per unit cost of care. • Based on the input received from stakeholders, BPO would appear to be the most popular option. Stakeholders cited a variety of reasons they prefer maintaining inpatient medicine care at the Poplar Bluff VAMC including access to care, quality of the care they receive, and relationships created with the VAMC Poplar Bluff staff. • For Poplar Bluff area veterans, the transfer of inpatient medicine to a local community provider may affect medical continuity as ambulatory and inpatient care would be delivered in different facilities.	Favor
BPO 2 **Contract Inpatient Medicine to the Local Community Provider**	Not Recommended	• While the local community provider meets service need requirements, it scored poorly on JCAHO "National Quality Improvement Goals" for heart attack care, heart failure care and pneumonia care, stating, "this organization's performance is below the performance of most accredited organizations". • The cost of current contracted inpatient medicine is higher than VA per unit costs. For this option to be more cost effective, costs would need to fall below 48% of current contracting rates. Thus, BPO 2 does not appear to be a cost-effective alternative.	Oppose

BPO	Team PwC Recommendation	Rationale for Recommendation	LAP Support
		• For Poplar Bluff area veterans, the transfer of inpatient medicine to a local community provider may affect medical continuity as ambulatory and inpatient care would be in different facilities. • There may be difficulty in retaining the recently recruited cardiologist if inpatient services are outsourced. As a consequence, the level of ambulatory cardiology services currently provided at the Poplar Bluff VAMC may also be affected.	

Introduction

Team PwC has prepared the following report for the Department of Veterans Affairs (VA) as detailed in the Statement of Work (SOW) for the Capital Asset Realignment for Enhanced Services (CARES) initiative. This report is intended to serve as the Stage I Deliverable for the CARES study for review and acceptance by the Veterans Health Administration (VHA).

CARES Background

CARES is the VA's effort to produce a logical, national plan for modernizing healthcare facilities. The Secretary's CARES Decision has been adopted as the VA's roadmap for bringing the VA's healthcare system facilities in line with the needs of 21st century veterans. The CARES analysis process focused on answering the following question: "What is the optimal approach to provide current and projected veterans with equal to or better healthcare 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?"

Statement of Work

The Secretary's CARES Decision, May 2004, calls for additional studies in certain geographic locations to refine the analyses developed in the CARES planning and decision-making process. The SOW addresses the site-specific requirements for Healthcare Delivery Studies, Capital Plans, and Re-use Plans. The planning horizon for implementation is 2013, but any business plan options (BPOs) must be projected as viable using demand data for 2023. Study results and plans will be integrated into a BPO format that provides VA decision makers and stakeholders (veterans, VAMC employees, the public, etc.) with clear options for the type, size and location, and re-use potential of VA healthcare resources under study. These BPOs will provide the VA with an independent business analysis from which implementation decisions will be made. These decisions are sensitive to stakeholders within and outside of government. These analyses, recommendations, and conclusions will receive a great deal of scrutiny both in and out of the VA.

Project Overview

Team PwC is assisting the VA in conducting the VA CARES study at 18 sites around the United States as selected by the Secretary. The components of the studies include healthcare planning, capital planning, and re-use planning. Depending on each particular site's SOW, Secretary's Decision, and specific requirements, the studies at each site required one or more of these study components. Most sites designated as healthcare sites required all three study components, while the designated non-healthcare sites required only capital and re-use planning.

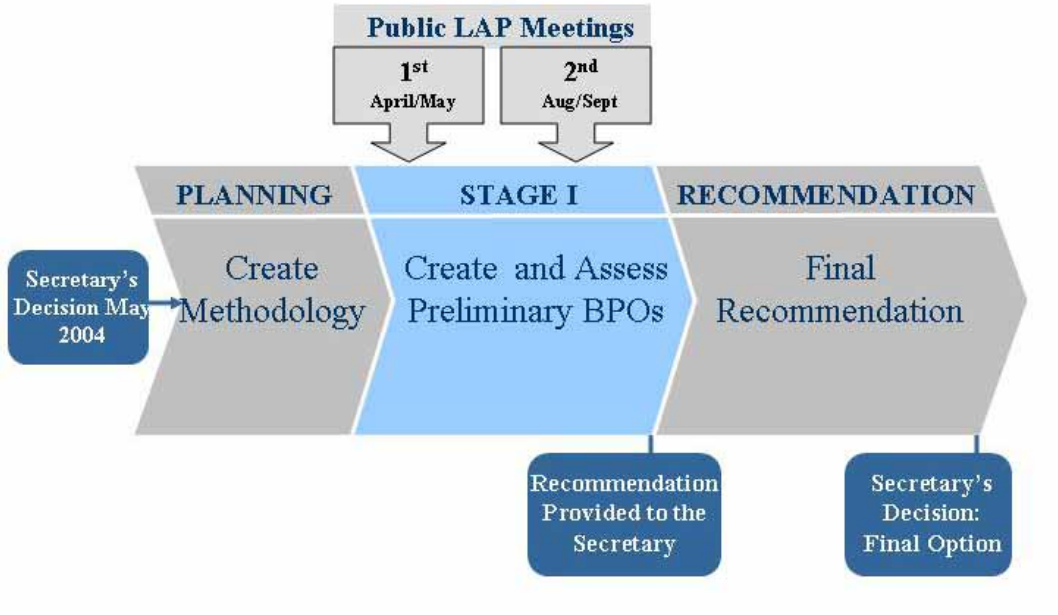
Project Organization

Overall, the studies were guided and supported by a national project manager, a Program Management Office (PMO), site specific Local Advisory Panels (LAP) or equivalent bodies, and a Quality Assurance Panel. Another functional group, the Stakeholder Team, engaged and managed stakeholder input across all sites and was an active contributor to the study deliverables. Site teams were organized around each of the 18 sites and oversaw the activities at the individual study sites, including data gathering, analysis, BPO development and assessment, and coordination of on-the-ground activities including the LAP public meetings.

Project Timing and Purpose

Per the Secretary's CARES decision, the Poplar Bluff study concentrated on conducting financial analyses of two different options for providing inpatient medicine services to area veterans. The financial analyses were to be conducted during Stage I of the overall CARES study and the results and recommendations provided to the Secretary (see figure below). While a total of four LAP meetings may be held for the study, it is anticipated that only two will be required, both of which occurred during Stage I.

Figure 1: Project Overview



The purpose of the Poplar Bluff study is to conduct a financial analysis of both BPOs and to provide recommendations to the Secretary as to which BPO appears the most appropriate. To that end, Team PwC assessed both BPOs with a focus on cost effectiveness. These BPOs were presented at the second LAP meeting. The BPOs along with the Team PwC recommendations are included in this deliverable.

Summary of Stage I Methodology

Team PwC's study commenced with the creation of a baseline BPO, which is the BPO under which the VA would not significantly change either the location or type of services provided in the study site, unless directed otherwise by the Secretary's May 2004 CARES Decision. Other BPOs are compared to this baseline BPO.

For Poplar Bluff, Team PwC's Healthcare Study Team then analyzed the alternative option that met the demand forecast provided by the VA and was consistent with the Secretary's May 2004 CARES Decision Document. The team considered input from the LAP and stakeholders. This option analysis involved the study of government furnished information (GFI) as well as information gathered during onsite tours and interviews. Additionally, Team PwC utilized independent data such as proprietary market data, including benchmark quality indicators and occupancy rates for local providers, and global best practices in the healthcare industry.

Initial screening criteria of access, quality, and cost were applied to ensure that the options met the objectives of the CARES study. Specifically, options were screened to ensure that they would maintain or improve veterans' access to care, quality of care, and cost effectiveness of care delivery. Team PwC then utilized evaluation criteria called discriminating criteria to differentiate between both BPOs. For Poplar Bluff, these criteria included the following:

- Healthcare Access
- Healthcare Quality
- Cost Effectiveness
- Ease of Implementation
- Wider VA Program Support

The BPO being evaluated according to these criteria has a corresponding assessment table that provides the results of the evaluation. The assessment indicates how the BPO is better or worse than the baseline BPO with respect to each of the discriminating criteria.

A summary of both BPOs and the results of the Team PwC Stage I assessment were presented to the LAP for discussion with stakeholders at the second LAP meeting. Issues and concerns raised by stakeholders at this meeting were analyzed by Team PwC and summarized for the public record. Also during the second LAP meeting, LAP members had an opportunity to create new BPOs for the Secretary to consider. The results of the BPO assessments as well as the summary of stakeholder feedback are included in this deliverable. Team PwC provides its recommendation as to which BPO should be considered. The recommended BPO is deemed the more likely to achieve the VA objectives for the study site.

Organization of Stage I Report

Again, the purpose of this report is to provide the VA with the analysis of both options presented to the LAP. This report includes the following sections:

- Overview of the study site
- Description of the current status of the study site
- Overview of the development of BPOs
- Detailed assessment of each BPO
- Assessment summary
- Recommendation of BPOs

Overview

Secretary's CARES Decision for Poplar Bluff Veterans Affairs Medical Center (VAMC)

The Poplar Bluff Veterans Administration Medical Center (VAMC) was originally authorized as a 16-bed acute care (inpatient and ambulatory care) facility operating at full capacity. The CARES Decision document states that the utilization forecast, prepared by the VA Central Office (VACO), predicts a marginal decline in the next 20 years; 15 and 11 beds in 2012 and 2022, respectively. Veteran Integrated Service Network (VISN) 15 representatives conducted a second utilization forecast, which predicts higher utilization. The VA subsequently raised the authorized bed number for the Poplar Bluff VAMC from 16 to 25 beds. The VISN 15 analysis cited a number of reasons for the increase, including the recent addition of a staff cardiologist, which allows certain inpatient admissions previously referred to other VAMCs to now be treated at Poplar Bluff. The results of the VISN's forecast, which were accepted by VACO, directed Team PwC to conduct the Poplar Bluff study using a revised estimate of 25 authorized and 21 operating beds in 2023.

The Secretary's CARES Decision for Poplar Bluff, MO includes the following directives:

- While there are limited options for contracting in the community, it is important that VA examine the potential for savings through contracting by conducting a detailed cost-effectiveness analysis.
- The analysis will assess the cost of retaining care versus contracting in the community and will also include an assessment of the impact on access.
- This cost-effectiveness analysis will examine the efficiency of providing care at the Poplar Bluff VAMC.
- Once the VRAH (Veterans Rural Access Hospital) policy is approved, VA will study the Poplar Bluff VAMC, as well as other similar facilities, to determine whether it meets the criteria for designation as a VRAH and to define the appropriate scope of practice to ensure that it meets quality standards.
- The results of the VRAH study will provide the framework for the cost-effectiveness analysis.
- In the interim, the Poplar Bluff VAMC will continue to operate in accordance with its current mission.

A critical component of the study for the Poplar Bluff VAMC is the difference in the per unit cost of care for providing inpatient medicine services at the Poplar Bluff VAMC versus the per unit cost of care for purchasing inpatient medicine services from a local community provider.

Veterans Rural Access Hospital Directive (VRAH)

The Poplar Bluff VAMC is a small facility operating approximately 20 inpatient beds. The Secretary's Decision in May 2004 directed the VA to consider VRAH policy as it evaluated the healthcare options for the Poplar Bluff VAMC location.

The Capital Asset Realignment for Enhanced Services (CARES) Commission Report to the Secretary of Veterans Affairs, dated February 2004, recommended that the Department of Veterans Affairs (VA) should establish a clear definition and policy on the Critical Access Hospital (CAH) designation prior to making decisions on the use of this designation. A task force was appointed to define guidance on the appropriate scope of services that should be provided at small and rural facilities within VHA, and to determine an appropriate designation for these facilities. The VHA Directive 2004-061 establishes policy defining the clinical and operational characteristics of small and rural facilities within VHA. These facilities are referred to as Veterans Rural Access Hospitals.

A VRAH is a VHA facility providing acute inpatient care in a rural or small urban market in which access to healthcare is limited. Attributes include:

- Market area cannot support more than 40 beds.
- Facility is limited to not more than 25 acute medical and/or surgical beds.
- Facility must be part of a network of healthcare that provides an established referral system for tertiary or other specialized care not available at the rural facility.
- Facility should be part of a system of primary healthcare community based outpatient clinics (CBOCs).
- Facility must be a critical component of providing access to timely, appropriate, and cost-effective healthcare for the veteran population served.

Team PwC reviewed the VRAH policy and incorporated its broader attributes into the BPOs developed for this site, specifically as location and scope of services were determined. In addition, the VRAH directive states that if services can be more effectively and efficiently provided by another source, those services should not be provided in the VRAH. Therefore, the VRAH directive does not affect the primary intent of the Poplar Bluff study.

Statement of Work for Poplar Bluff

The CARES statement of work specifically notes the following for the Poplar Bluff site:

"The study to determine the cost effectiveness of providing care at the hospital versus contracting for care will be based upon the medical services that are designated appropriate for Poplar Bluff under the VRAH criteria. In completing the financial analysis, contracting costs (if services meeting quality standards are available in the local community) will be factored into the analysis."

For Poplar Bluff, the focus of the study is to determine the cost effectiveness of maintaining inpatient medicine services at the Poplar Bluff VAMC versus contracting the service to a local community provider. Specifically, Team PwC is to conduct a cost-benefit analysis, over 30 years, of contracting out inpatient medicine to a local community provider versus maintaining such care at the Poplar Bluff VAMC.

As such, Team PwC has completed the following tasks:

- Analyzed the costs for maintaining inpatient services on the Poplar Bluff campus
- Obtained indicative costs for contracting inpatient medical services to a nearby community provider
- Assessed the impact on access to care

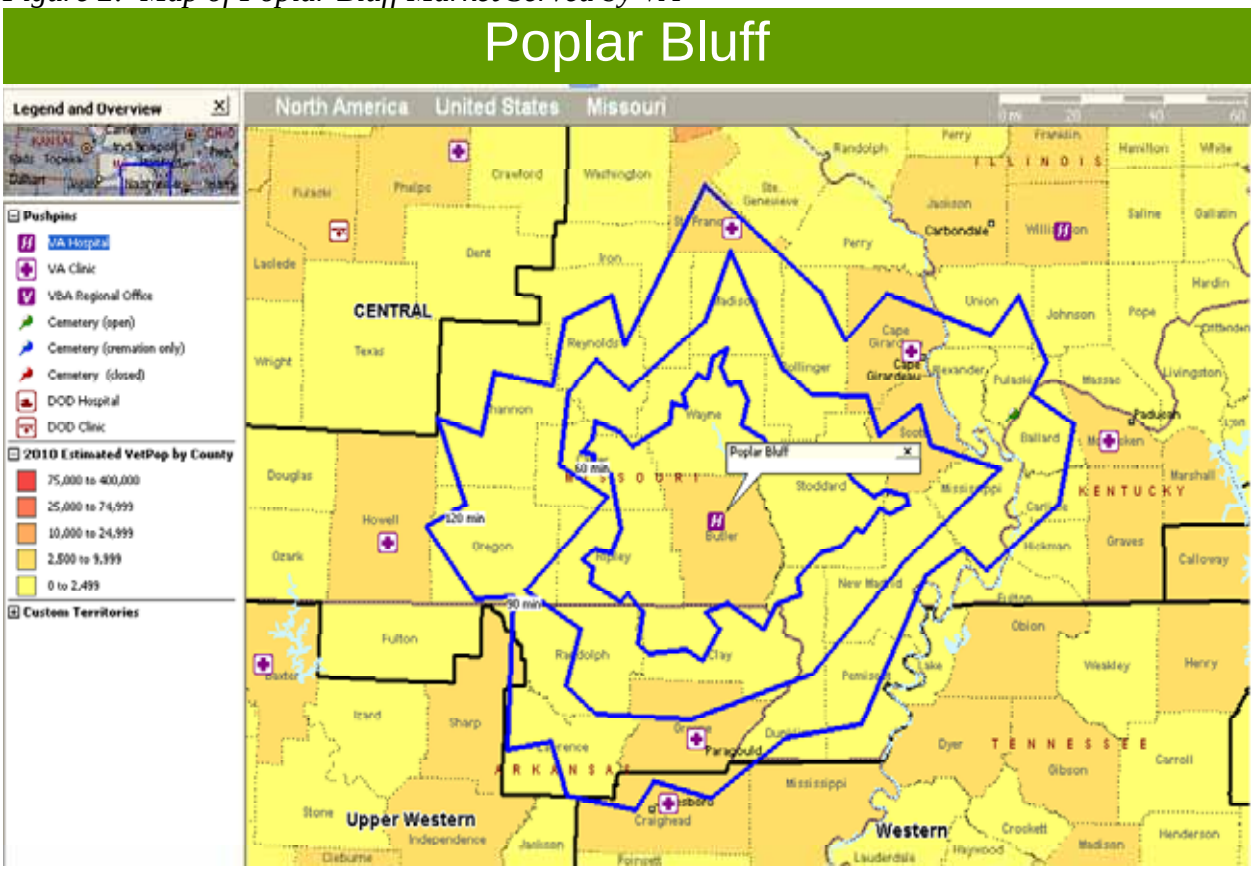
In addition, Team PwC has considered what, if any, effect the VRAH designation has on the study and its outcome.

Site Overview

The Poplar Bluff VAMC, John J. Pershing VA Medical Center is in VISN 15 and serves 24 counties in southeast Missouri and six counties in northeast Arkansas. Poplar Bluff is located approximately 150 miles from St. Louis, Missouri and Memphis, Tennessee. Accessibility to VA medical care is complicated by the large geographic area and lack of adequate public transportation. The facility is comprised of over 30 acres surrounded on three sides by residential neighborhoods and on one side by commercial areas. The site is a relatively flat open parcel with approximately ten acres of undeveloped fringe area which could present opportunities for further development or re-development. The site is located near a prime development area which is expected to be enhanced upon completion of a new highway bypass that is currently under construction.

VISN 15 is made up of the following three markets, Central, East and West. Poplar Bluff is located in the East Market. Figure 2 depicts the estimated veteran population in the surrounding Poplar Bluff area and the drive time polygons surrounding the Poplar Bluff facility.

Figure 2: Map of Poplar Bluff Market Served by VA



** The blue lines outlined the 60, 90, and 120 minute drive times from Poplar Bluff.*

Healthcare Market Overview

The Poplar Bluff VAMC is located in Poplar Bluff, Missouri, a highly rural area located in excess of two and half hours (drive time) from the next closest VA acute care facilities. There are a number of local community provider facilities located within 60 miles of the Poplar Bluff VAMC. One such local community provider meets the service requirements and does not compromise access for veterans in the Poplar Bluff area.

Poplar Bluff Regional Medical Center[2]

The Poplar Bluff Regional Medical Center is a medium-sized acute care facility with a location less than one mile from the Poplar Bluff VAMC campus. The Poplar Bluff Regional Medical Center operates two campuses in Poplar Bluff - North and South. The North campus supports outpatient services and the South campus provides inpatient services and is the one close to the Poplar Bluff VAMC. The Medical Center is operated by Health Management Associates, Inc

[2] Source: Solucient®

(HMA) which operates acute care hospitals primarily in non-urban settings in the Southeastern and Southwestern areas of the country. The South campus operates 140 inpatient acute care beds. Across the two campuses, Poplar Bluff Regional Medical Center offers a range of inpatient services including medicine, cardiology, neurology, urology, surgery, and outpatient services including radiology, orthopedics, physical therapy, mental health, and other ambulatory care services.

Projected Enrollment and Utilization Trends

Veteran enrollment and utilization for healthcare services was projected for 20 years, using 2003 data as supplied by the VA as the base year and projecting through 2023.

Enrollment Trends

The East Market contains approximately 131,194 enrolled veterans, or roughly 48% of all enrollees within VISN 15. As indicated in Figure 3 and Table 2 below, over the next 20 years, the number of enrolled veterans in Priority Groups 1-6 is expected to decrease by 1%, from 92,174 to 91,599, while the number of enrolled veterans in Priority Groups 7-8 is expected to decline by 57%, from 39,020 to 16,930.

Figure 3: Projected Veteran Enrollment for the East Market by Priority Group

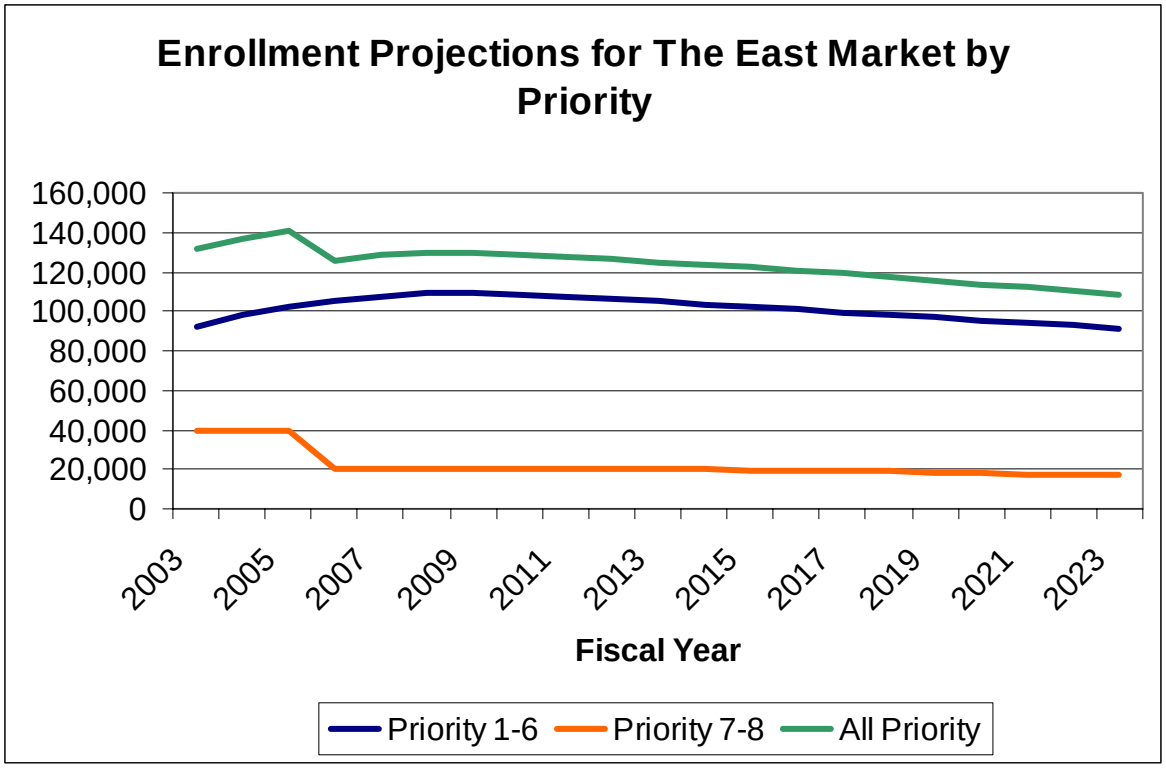


Table 2: Projected Veteran Enrollment for the East Market by Priority Group

Fiscal Year	2003	2013	% Diff	2023	% Diff
Priority 1-6	92,174	105,019	14%	91,599	-1%
Priority 7-8	39,020	19,970	-49%	16,930	-57%
Total	**131,194**	**124,989**	**-5%**	**108,529**	**-17%**

As shown in Figure 4 and Table 3, over the next 20 years, the number of enrolled veterans under 45 years of age is expected to decline by 12%. The number of veterans between the ages of 45 and 64 is expected to decline by 37% and the number of veterans between the ages of 65 and 84 is expected to decline by 10%. For veterans over 85 years of age, there is an expected increase of approximately 147%.

Figure 4: Projected Veteran Enrollment for the East Market by Age Group

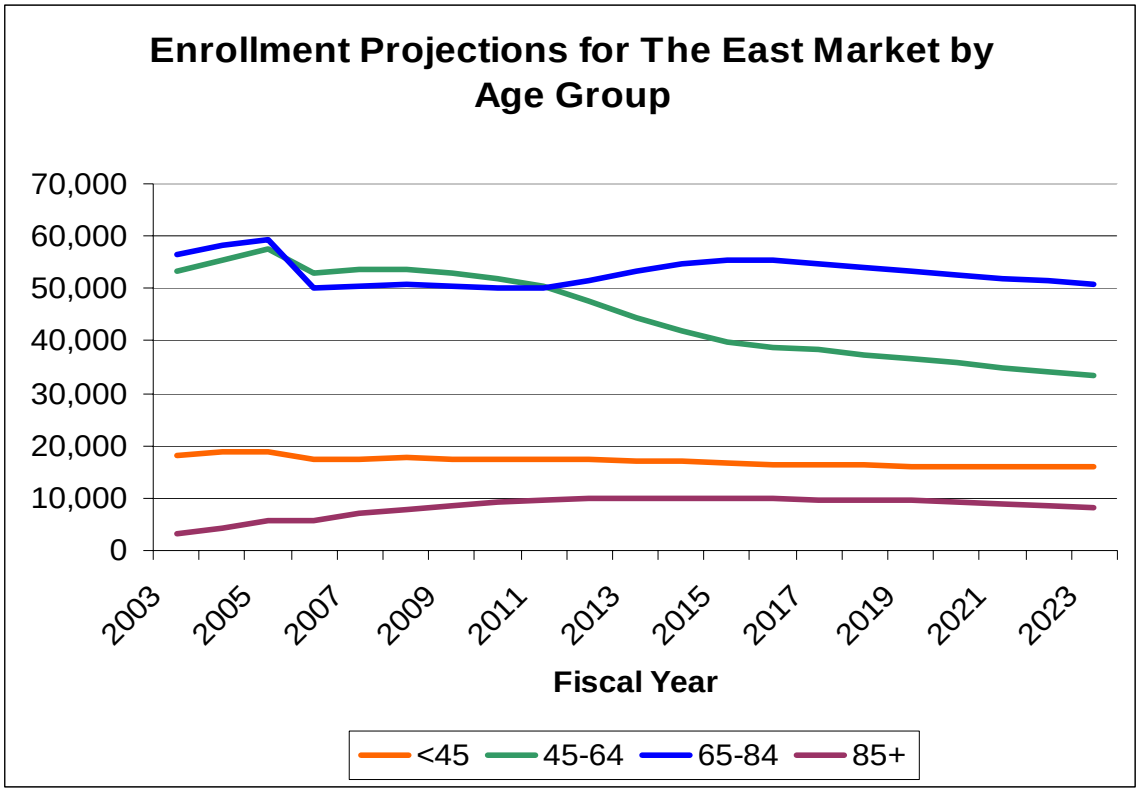


Table 3: Projected Veteran Enrollment for the East Market by Age Group

Fiscal Year	2003	2013	% Diff	2023	% Diff
Age <45	18,273	17,210	-6%	16,145	-12%
Age 45-64	53,236	44,334	-17%	33,290	-37%
Age 65-84	56,366	53,400	-5%	50,886	-10%
Age 85+	3,319	10,046	203%	8,209	147%
Total	**131,194**	**124,990**	**-5%**	**108,530**	**-17%**

Utilization Trends

Utilization data is based upon market demand allocated to the Poplar Bluff facility. Inpatient utilization is measured in Number of Beds, while both ambulatory and outpatient mental health utilization is measured in Number of Clinic Stops. A clinic stop is a visit to a clinic or service rendered to a patient. A summary of utilization data is provided for each CARES Implementation Category (CIC). Utilization is only shown for those CICs for which a facility has projected demand.

As shown in Table 4, inpatient bed need is projected to decrease by 14% by 2023, yet outpatient clinic stops is expected to increase by 11% by 2013, and then decrease to slightly below 2003 levels by 2023.

Table 4: Inpatient and Outpatient Utilization Summary

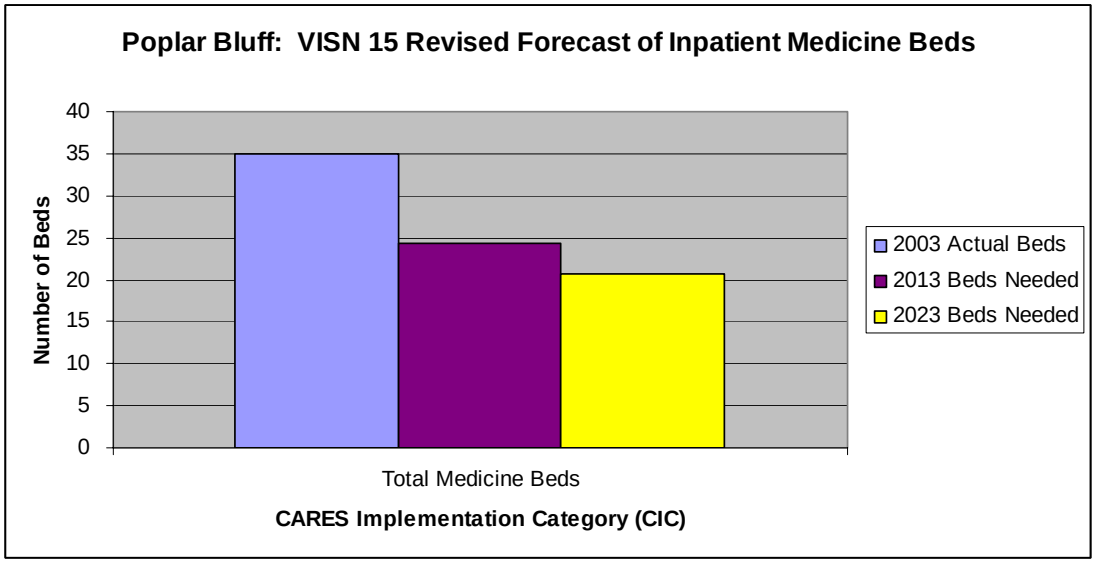
Poplar Bluff	2003 Actual	2013 Projected	2023 Projected	% Change 03-13	% Change 13-23	% Change 03-23
Total Inpatient Beds	24*	24	21	0%	-13%	-14%
Total Clinic Stops	131,962	146,602	131,376	11%	-10%	0%

** The 2003 actual figure reflects results of VA Central Office analysis*

Inpatient Utilization Trends

Overall, the demand for inpatient medicine and observation services declines over the projection period (see Figure 5 and Table 5). As identified earlier, a second utilization analysis was conducted by VISN 15. The VISN 15 analysis shows a revised bed projection that is significantly different than the VACO analysis. Both analyses reveal that the overall demand for inpatient medicine and observation services declines over the projection period. Yet, there are several issues that VISN 15 cited as causing an under projection of the forecasted bed days of care for Poplar Bluff, including the identified variance between the actual versus modeled data and the recent addition of a cardiologist to the Poplar Bluff staff that has and would continue to result in increased patient workload.

Figure 5: VISN 15 Revised Forecast of Inpatient Medicine Beds



Source: VISN 15 White Paper (Bed Level Projection for VAMC Poplar Bluff CARES Business Plan Financial Viability Study).

Table 5: VISN 15 Revised Forecast of Inpatient Medicine Beds

CARES Implementation Category (CIC)	2003 Beds Actual	2013 Beds Needed	2023 Beds Needed	% change 13-03	% change 23-13	% change 23-03
Medicine & Observation*	20	14	12	-30%	-16%	-41%
Reallocated Workload Med/Obs	11	8	7	-27%	-17%	-39%
Total Medicine & Observation*	31	22	19	-29%	-16%	-40%
Psychiatry & Substance Abuse	0	1	1		0%	
Surgery	4	1	1	-75%	0%	-75%
Total Inpatient Medicine Beds	**35**	**24**	**21**	**-31%**	**-13%**	**-40%**

**Includes outsourced workload and surgery observation and stabilization*

Ambulatory Utilization Trends

In Ambulatory Services, there are significant net decreases for non-surgical specialties and primary care (see Figure 6 and Table 6). Orthopedics reflects no change during the period under review. Rehab medicine remains constant during the projected period due to an across-the-board decision by VACO. The remaining ambulatory services show an increase during 2013 and a decline in 2023.

Figure 6: Projected Utilization for Ambulatory CICs for Poplar Bluff

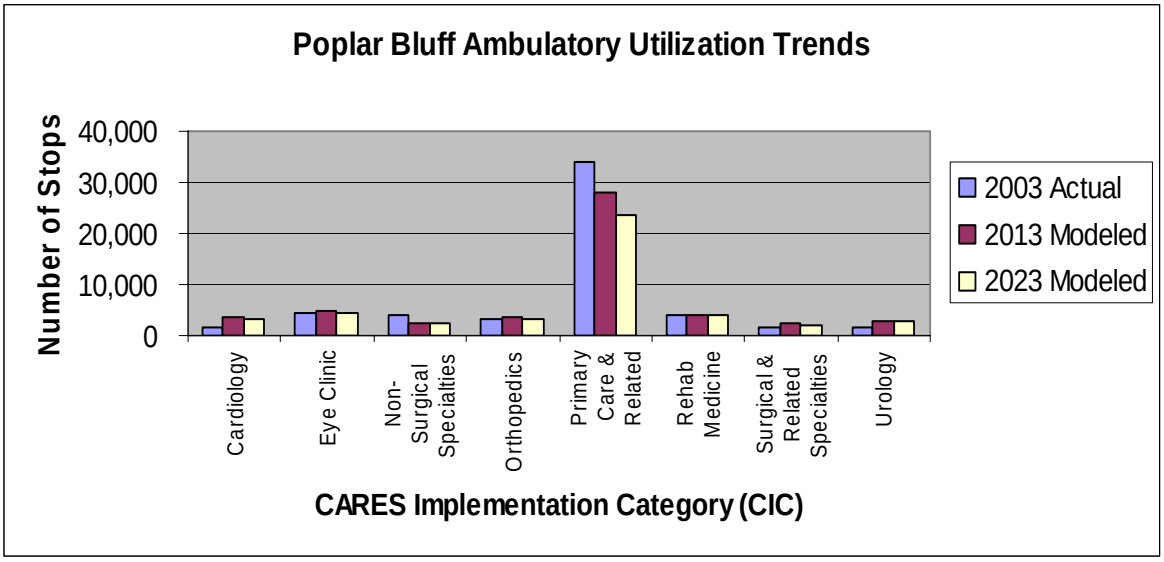


Table 6: Projected Utilization for Ambulatory CICs for Poplar Bluff

CARES Implementation Category (CIC)	2003 Actual Stops	2013 Modeled	2023 Modeled	% change 13-03	% change 23-13	% change 23-03
Cardiology	1,737	3,635	3,231	109%	-11%	86%
Eye Clinic	4,226	4,848	4,573	15%	-6%	8%
Non-Surgical Specialties	4,033	2,425	2,217	-40%	-9%	-45%
Orthopedics	3,351	3,710	3,365	11%	-9%	0%
Primary Care & Related Specialties	33,808	27,885	23,684	-18%	-15%	-30%
Rehab Medicine	4,019	4,019	4,019	0%	0%	0%
Surgical & Related Specialties	1,734	2,349	2,098	35%	-11%	21%
Urology	1,787	2,760	2,652	54%	-4%	48%
Total Number of Stops	**54,695**	**51,631**	**45,839**	**-6%**	**11%**	**-16%**

Outpatient Mental Health Utilization Trends

As shown in Figure 7 and Table 7, the expected utilization of all outpatient mental health services peaks in 2013 and declines in 2023.

Figure 7: Projected Utilization for Outpatient Mental Health CICs for Poplar Bluff

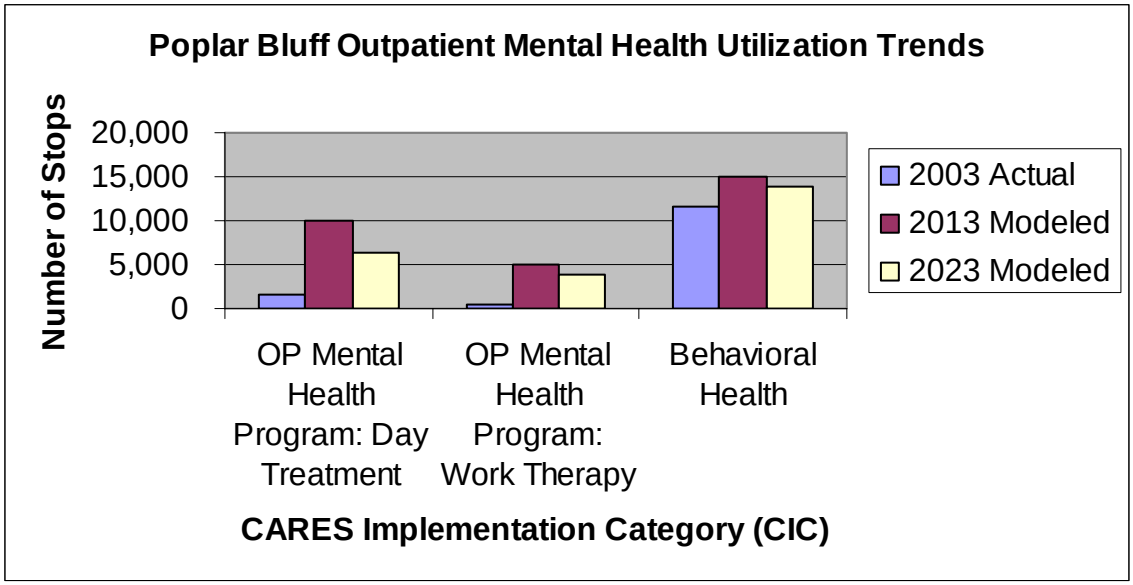


Table 7: Projected Utilization for Outpatient Mental Health CICs for Poplar Bluff

CARES Implementation Category (CIC)	2003 Actual Stops	2013 Modeled	2023 Modeled	% change 13-03	% change 23-13	% change 23-03
OP Mental Health Program: Day Treatment	1,627	10,019	6,344	516%	-37%	290%
OP Mental Health Program: Work Therapy	445	4,948	3,863	1012%	-22%	768%
Behavioral Health	11,615	14,890	13,751	28%	-8%	18%
Total Number of Stops	**13,687**	**29,857**	**23,958**	**118%**	**-20%**	**75%**

Current Status Summary

The current state of the Poplar Bluff site was assessed through review of government furnished information (GFI), as well as onsite interviews and tours. The Poplar Bluff study is a financial analysis and the following summarizes the current state with respect to operating costs and investment requirements, key components of the financial analysis.

Operational Costing

The objective of the cost analysis is to support the comparison of the estimated cost effectiveness of the current state with each BPO. The total estimated costs for Poplar Bluff include operating costs, initial capital investments and cost avoidances taken. The operating costs for the baseline and the alternative BPO are a key input to the financial analysis. Operating costs considered for the cost analysis include: direct medical care, administrative support, engineering and environmental management, and miscellaneous benefits and services.

The baseline operating costs were provided to Team PwC by the VACO. These costs were obtained from the FY2004 VA's Decision Support System (DSS), the VA's official cost accounting system. DSS provides the best available data for identifying fixed direct, fixed indirect and variable costs, the data can be rolled up to the CIC level and the data is available nationally for all VAMCs and CBOCs. These costs are directly attributable costs and generally do not reflect the total costs of the operation.

The costs were obtained for each facility within the study scope and were aggregated into the CARES Implementation Categories (CICs). The costs were categorized as total variable (per unit of care), total fixed direct, and total fixed indirect costs. The definition of each cost category is as follows:

- Total Variable (Direct) Cost: 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. Variable direct cost = variable supply cost + variable labor cost. The cost of purchased care is considered variable direct costs.

- Total Fixed Direct Cost: 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.

- Total Fixed Indirect Cost: The costs not directly related to patient care, and, therefore, not specifically identified with an individual patient or group of patients. These costs are an allocation of the total other costs (i.e. not direct costs) associated with the operation of the facility. These costs are allocated to individual medical departments through the VA's

existing indirect cost allocation process. Examples of indirect costs include utilities, maintenance, and administration costs.

FY2004 operating costs from the DSS were adjusted (based on inflation rates) to FY2003 dollars to create the costs for FY2003. These costs were then inflated for each year of the study period. Variable costs were multiplied by the forecasted workload for each CIC and summed to estimated total variable costs. Variable costs were also provided by the VACO for non-VA care. These are based on the VA's actual expenses and used for the alternate BPOs where care is contracted outside of the VA. These costs are used together with initial capital investment estimates as the basis for both the baseline option and the alternate BPO.

For FY 2003, the VA obligated a total of $49.8 million[3] to the operation of the Poplar Bluff VAMC campus. The following table summarizes the current state with respect to the cost of providing inpatient care at the Poplar Bluff VAMC.

Table 8: Current Cost State of Providing Inpatient Care at Poplar Bluff VAMC

Type of obligation	FY 2003 ($M)	% Total
Direct medical care	$34.9	70%
Administration and other overhead	$11.1	22%
Facilities management, maintenance and similar	$3.9	8%
Total FY 2003	**$49.8**	**100%**

These costs include the allocation of central VA and VISN overhead as well as costs such as pharmacy that will not change irrespective of the options under consideration. For the purpose of Team PwC's financial analysis, the VA has provided Team PwC with a sub-set of these overhead costs. These are the directly attributable costs of care and operation of the Poplar Bluff campus (i.e., excluding allocated costs and costs that would occur irrespective of option). These totaled about $38 million in FY2003 dollars. The DSS provides these directly attributable costs in the form of variable (per unit of care), fixed and indirect costs for the VA's costs for each facility being studied. In addition, the VA provided the variable direct costs for contracted care by each of the CICs from the Non-VA CARE cost cube, which contains information on the actual cost of fee work purchased by the VA.

The following table indicates the current proportion of variable direct, fixed direct, and fixed indirect costs for providing inpatient medicine and observation and all other care at Poplar Bluff. This table provides insight into the magnitude of the cost for providing inpatient medicine and observation services at Poplar Bluff. The inpatient unit is not large enough to justify eliminating the replacement of the air handlers. Therefore, even if inpatient medicine were to be contracted to the local community provider, the VA would still be required to incur the cost of a completely new HVAC system.

[3] VA Internal Financial Decision Support and Management Systems, data abstracted by VSSC.

Table 9: Current Proportion of Variable Direct, Fixed Direct & Fixed Indirect Costs

CIC Category	Variable Direct Costs	Fixed Direct Costs	Fixed Indirect Costs	Total
Inpatient Medicine	**34%**	**18%**	**12%**	**21%**
All Other	**66%**	**82%**	**88%**	**79%**
Total	100%	100%	100%	100%

The operating costs for the baseline and the alternate BPO are a key input to the financial analysis. They enable adjustments to the costs to be made for each BPO that relate to the operational changes identified.

Investment Requirements

The Poplar Bluff facility requires significant investment in maintenance and replacement to the physical plant over the next few years. The VA's Capital Asset Inventory system identifies that an investment totalling some $16.3 million is required to address current known facility issues. The largest single need is $12 million to replace air handlers serving the main hospital building. The current system was installed in early 1978 and is in questionable operating condition. The site facility management team recommends that a completely new HVAC system be provided for the main hospital building and has provided an estimate of $12 million. The remaining $4.3 million is for needs spread across the campus with the majority of investment required in Building 1, the main building.

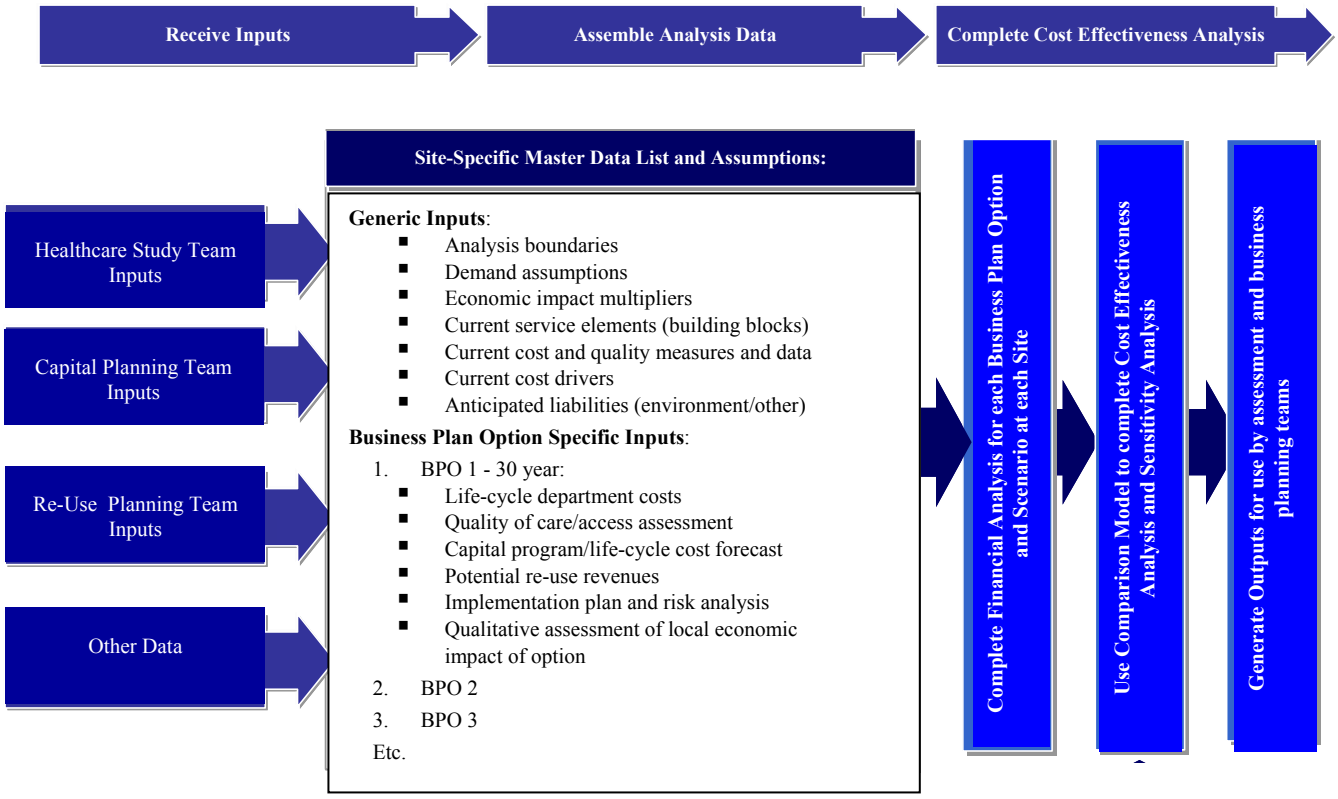
Financial Analysis

Background and Overview

The Secretary's 2004 Decision Document and CARES Commission Report requested Team PwC to perform an independent, department/service level cost analysis that builds upon the earlier CARES analysis and provides clearly described cost and business decision options as part of the study's recommendation. To meet this requirement, Team PwC is performing a financial cost effectiveness analysis for each BPO for each study site.

The financial cost effectiveness analysis is performed using a common framework specifically created by Team PwC for the CARES studies. The following figure illustrates the common framework.

Figure 8: Financial Analysis Common Framework



Inputs to the framework include generic inputs and assumptions such as demand forecasts from the VA, service elements, operating costs, recurring capital requirements, and BPO-specific inputs such as departmental costs and efficiencies and one-time capital program forecasts.

Outputs from the BPO-specific financial analysis include annual life-cycle cash-flows, annual VA investment levels, and net present costs. These outputs are then compared to complete the cost effectiveness analysis for each BPO. Finally, a sensitivity analysis is performed for each BPO to understand the effect a key data element (e.g., contract prices) may have on the outcome.

Poplar Bluff Financial Analysis

The study scope for Poplar Bluff is to conduct a financial analysis, based on a 30-year planning horizon, of contracting out inpatient medicine to a local provider versus maintaining such care at the Poplar Bluff VAMC. The Poplar Bluff financial analysis involved analyzing relevant inputs, such as the cost per bed day of care (BDOC), and generating specific outputs that provide a direct comparison between the baseline and the option of contracting care.

Data Inputs

The inputs for the Poplar Bluff study site focused on inputs and assumptions related to the current operation and the cost of contracting. A description of key inputs follows:

Current and Forecasted Services

The current and forecasted service mix was analyzed to determine the inpatient services currently provided and those forecasted to be provided. With the exception of some inpatient cardiology services, the service mix was determined to remain constant. The potential increase in inpatient cardiology services is a result of the recent hiring of a cardiologist.

Current and Forecasted Workload

The volume of healthcare services, particularly inpatient medicine services, was forecasted by the VACO for 20 years using 2003 data as the base year and forecasting through 2023. Team PwC used workload data provided by VISN 15 and approved by VACO that forecasts a steady decrease in the demand for inpatient services from 35 beds in 2003 to 21 beds in 2023. For BPO 2, all inpatient medicine is contracted to the local community provider for the entire forecasted period.

VA Current and Future Unit Cost of Care

Team PwC was provided the variable unit costs, fixed direct costs and fixed indirect costs for inpatient medicine at Poplar Bluff. Costs by CIC, without depreciation and overhead, were provided by VACO. This information was obtained from the VA's Decision Support System (DSS) and reviewed by the local VAMC and the VACO. Variable unit costs were multiplied by forecasted utilization and added to the fixed costs to model the future costs of care. The cost of contracted care was obtained from fee data based on the VA’s actual experience in Poplar Bluff VAMC and VISN 15.

BPO 2 involves vacating the inpatient medical ward and related facilities. However, since these are situated within the main hospital building, limited opportunity exists to reduce costs, other than those costs directly related to inpatient care. Team PwC has assumed that the VA would be able to save 100% of the clinical variable costs, 90% of the fixed direct costs and 10% of the fixed indirect costs associated with inpatient medicine.

Facility and Equipment Investment Requirements

The estimated facility and investment costs for maintaining the current facility over the 30-year period were analyzed. The cost of replacing the existing air conditioning unit ("chiller") was obtained from the VA. It was determined the new chiller would be required in both the baseline option and BPO 2.

Revenues Generated from Real Property and Sharing Agreements

Team PwC did not identify any real property and/or sharing agreements in place at the Poplar Bluff VAMC. For example, does the Poplar Bluff VAMC have current or planned future leasing agreements or other such arrangements with other VAMCs, other VA entities (e.g., VBA), local community providers, or any other entities that might be interested in utilizing Poplar Bluff VAMC space or resources?

Other Inputs and Assumptions

- 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%).
- The capital cost for replacing the HVAC system occurs in 2009. It was assumed that other capital investment requirements are constant after the year 2023.
- The local community provider would be able to absorb the additional inpatient medicine workload from the VA in the event the VA contracts for this workload.
- The Centers for Medicare and Medicaid Services (CMS) reported average Medicare reimbursement for the State of Missouri is an approximate for the Medicare reimbursement in the Poplar Bluff area.
- Specific adjustments for Medicare payments, e.g., graduate medical education, average wage rates, disproportionate share, or capital requirements, were not included in the final rate analysis.

Outputs

Outputs from the Poplar Bluff financial analysis include the cash flow estimates and the net present costs. The following describes each of these outputs, the results, and the impact on the BPO comparison.

Real Overall Cash Flow

Real overall cash flow is the annual cash flow associated with each BPO. The cash flow estimate includes, e.g., variable costs (i.e., costs per BDOC), VA investments to maintain the building, anticipated revenues, and other related cost items. To ensure the appropriateness and consistency of projecting cash-flows that involve costs with a range of varying underlying escalation rates, all unescalated costs were escalated, using appropriate inflation factors, to determine the nominal cost, i.e., in the future.

Team PwC found that the cost for providing care in BPO 2 is about 9.4% greater (in FY2003 constant dollars) than the cost for continuing to provide the care at the Poplar Bluff VAMC. The following table is a summary of the real overall cash flow.

Table 10: Financial Summary of the Real Overall Cash Flow

The Department of Veterans Affairs
Capital Asset Realignment for Enhanced Serives

Alternatives Analysis Financial Summary Outputs ($000)

	Baseline BPO HC-1	BPO HC-2
Unescalated $		
Total Operating Costs	$ 1,244,201	$ 1,359,411
Total Capital Investment Costs	16,300	16,300
Total Capital Life-Cycle Costs	-	-
Total Re-Use Revenues	-	-
Nominal (Escalated) $		
Total Operating Costs	$ 2,354,276	$ 2,582,811
Total Capital Investment Costs	19,069	19,069
Total Capital Life-Cycle Costs	-	-
Total Re-Use Revenues	-	-
Current / Real $ (2003 Current)		
Total Operating Costs	$ 1,680,668	$ 1,840,465
Total Capital Investment Costs	16,932	16,932
Total Capital Life-Cycle Costs	-	-
Total Re-Use Revenues	-	-

Dollar values are in millions.

Net Present Cost

Measuring and comparing net present cost (NPC) allows for an understanding of which option appears to be more cost effective, considering both options (baseline and local community provider), the related costs, and the investment requirements. The NPC is the sum of the present value of the discounted present value of all of the annual life-cycle costs associated with a

particular BPO. In addition, the NPC is the annual cash flows (costs and revenues) of a BPO discounted using the discount rate and summed. NPCs are used to allow options with different implementation timelines to be compared on a similar basis relative to the baseline's and other BPO's NPCs.

Overall, Team PwC found that the net present cost for BPO 2 is approximately 8.9% greater than the NPC of BPO 1. The table below is a comparison summary of the NPC of BPO 1 and BPO 2

Table 11: Summary of the Net Present Cost of BPO 1 and BPO 2

The Department of Veterans Affairs
Capital Asset Realignment for Enhanced Serives

Alternatives Analysis Financial Summary Outputs ($000)

Baseline BPO HC-1	BPO HC-2
Net Present Cost (NPC)	Net Present Cost (NPC)
1,067,000	1,162,000
	108.90%

Note: Any value appearing at the bottom of any box above denotes that BPO's percentage difference from the Baseline BPO value.

Sensitivity Analysis

The sensitivity analysis tests the importance of the key assumptions. Additional iterations of the financial analysis are run for each BPO to determine the impact different assumptions may have on the results. For Poplar Bluff, the financial analysis was subjected to changes to assess the effects of the cost of contracting. This analysis provided Team PwC with an understanding of the extent to which a particular variable has to change before the rank order of a BPO changes.

Sensitivity to Key Contracting Cost Assumptions

This sensitivity analysis looked at the effect of varying the assumption used for the cost of contracted care to determine the point at which BPO 2 would become financially more attractive than BPO 1. Changing the cost of a BDOC, Team PwC analyzed the effect of different cost of contracting scenarios. Overall, our findings suggest that the cost for contracting inpatient medicine services to a local community provider would be significantly greater than maintaining the service at the Poplar Bluff VAMC unless the cost of such contracted services was reduced to below 48% of the current cost of similar contracted services (i.e., $535 per BDOC rather than $1,139 per BDOC assumed based on actual regional experience).

Sensitivity to Market Volume Adjustments

Team PwC was concerned that the current cost of contracted services may over-estimate the cost that could be negotiated with adjacent community providers and/or could be established through

a joint venture. To understand what a market price might be for an increased volume, the VA provided data from the VA's discharge database for Poplar Bluff. (This data is included on the CMS Diagnostic Review Group (DRG) Case Mix Index, CMS Relative Value Units (RVU), average Arithmetic Mean Length of Stay and numbers of discharges for each standard CMS DRG applicable to the inpatient medicine discharges at the Poplar Bluff VAMC in 2003.) The data was run through the VA's Medicare DRG pricing tool and separately run by Team PwC's healthcare reimbursement specialists.

The VA's Medicare DRG pricing tool identified an unadjusted average cost of $719 per BDOC for inpatient medicine. This excludes Medicare adjustments for graduate medical education, indirect medical education, average wage rates, disproportionate share, and capital requirements, which would likely adjust the number higher.

CMS reports average state Medicare reimbursement costs. Analyzing this information indicates that for the Poplar Bluff case mix and average length of stay, a minimum Medicare reimbursement cost per BDOC – i.e., before allowance for local rather than state-wide factors – would be of about $750 per BDOC. Therefore, the actual cost of contracted care would be in the range of $750 - $1,139 ($1,139 being the average cost currently paid by the VA in the region). This analysis is an approximation and was performed to determine the likelihood that the VA would obtain an average price of less than $535 per BDOC. This analysis indicates that the break even rate is less than ¾ of the lowest price and, therefore, unlikely. To determine whether community providers would accept rates at the breakeven point, the VA would need to directly negotiate with these providers.

Business Plan Option Assessment

The Secretary's May 2004 Decision Document directs the VA to assess the cost of retaining inpatient medicine at the Poplar Bluff VAMC versus contracting for such care with a local community provider. The specific scope agreed to for Poplar Bluff required that Team PwC consider two options: maintaining inpatient beds at the Poplar Bluff VAMC or contracting such services to a local community provider.

Using VA furnished information, site tours and interviews, and stakeholder and LAP member input, Team PwC examined both options with a focus on cost effectiveness. These options were tested against initial screening criteria of access, quality, and cost, as defined below. Both BPOs were then assessed at a more detailed level according to a set of discriminating criteria which are described in the discriminating criteria section on page 35. An expert panel with backgrounds in clinical care and healthcare strategic planning assessed the components and contributed to the selection of the recommended BPO.

The following diagram illustrates the complete options assessment process:

Figure 9: Options Assessment Process
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Initial Screening Criteria

The Secretary's May 2004 Decision Document directs the VA to assess the cost of retaining inpatient medicine at the Poplar Bluff VAMC versus contracting for such care with a local community provider. The specific scope agreed to for Poplar Bluff required that Team PwC consider two options: maintaining inpatient beds at the Poplar Bluff VAMC or contracting such services to a local community provider.

Both options were evaluated for Poplar Bluff and were subsequently screened to determine whether or not a particular option had the potential to meet or exceed the CARES objectives. The following describes the initial screening criteria that were used during this process:

- **Access**: *Would maintain or improve overall access to acute hospital healthcare* – Since the location of healthcare services was decided in the CARES Commission Report in 2004, access to primary and acute hospital healthcare will not be materially impacted by capital and re-use options.

- **Quality of Care:** *Would maintain or improve the overall quality of healthcare* – This is assessed by consideration of:

    - Healthcare provision; the ability to provide services, continuity of care and quality measures.

- The level of workload at any facility compared to utilization thresholds. Quality concerns may also occur if it is assumed that the VA would contract with a non-VA provider for specific services, yet there is no current proven healthcare provider for those required services within that particular location. In such a case, assumptions may be required regarding the likelihood of such a provider emerging. Therefore, any option that relied upon patient care being provided by an emergent third party failed this quality test. Only in cases where a compelling reason could be identified to assert that services would be provided, would that option pass the quality test.

It should be noted that the disruption to continuity of care is not an explicit criteria utilized in the initial screening process; however, the impact on continuity of care was considered when evaluating both options.

- **Cost**: *Has the potential to offer a cost-effective use of VA resources* – This was assessed as part of Team PwC's initial cost effectiveness analysis. Any BPO that did not have the potential to provide a cost effective physical and operational configuration of VA resources as compared to the baseline failed this test.

Both BPOs were screened against these criteria.

Evaluation of Business Plan Options

For Poplar Bluff, Team PwC was asked to assess the cost effectiveness of two options; maintaining inpatient beds at the Poplar Bluff VAMC versus contracting inpatient services to a local community provider. These BPOs are included in the table below and will be more thoroughly assessed according to the discriminating criteria in the subsequent sections.

Table 12: BPOs for Poplar Bluff

BPO	Label	Description
BPO 1	Baseline	Current state forecasted out to 2013 and 2023 without any changes to facilities or programs, but accounting for forecasted utilization changes, and assuming same or better quality.
BPO 2	Contract inpatient medicine to a local community provider	Current state forecasted out to 2013 and 2023 and inpatient medicine services contracted out to a local community provider. All other care to be delivered by Poplar Bluff VAMC.

Discriminating Criteria

The primary discriminating criteria for both BPOs are:

- **Healthcare Quality** – These criteria are to assess the following:

  - How the BPO sustains or enhances the quality of healthcare delivery.
  - If the BPO can ensure that forecasted healthcare need is appropriately met.
  - Whether each BPO will result in a modernized, safe, and secure healthcare delivery environment.

- **Healthcare Access** – These criteria are to assess how the BPO impacts the ease with which patients can access services on the site.
- **Impact of BPO on VA and Local Community** – These criteria are to assess the impact on staffing, as well as research and clinical education programs.
- **Making Best Use of VA Resources** – These criteria are to assess the cost effectiveness of the physical and operational configuration of the BPO as determined through financial analysis. In addition, the financial analysis will be used to identify cost savings over 30 years, including expected recurring and one-off savings.
- **Ease of Implementation** – These criteria are to assess the risk of implementation for each BPO. PwC's risk score template will be completed to identify and analyze all of the potential risk components associated with the initiatives.
- **Ability to Support Wider VA programs** – These criteria are to assess how the BPO would impact the sharing of resources with DoD, enhance one-VA integration, and impact special considerations, such as DoD contingency planning, Homeland Security needs, or emergency need projections.

Stakeholder Input

Stakeholder Input for BPO Evaluation

For the Poplar Bluff CARES Study Site, 17 forms of stakeholder input were received during Input Period One, including comment forms (paper and electronic), letters, and oral testimony. Input Period One started on April 20, 2005 (the first day input regarding the CARES process was received) and ended on August 18, 2005. During this period, a comment form was available electronically via the CARES website and in paper form at the first Poplar Bluff LAP public meeting on June 7, 2005. Input Period One ended when the BPOs for the Poplar Bluff VAMC were released to the public, and a second options-specific comment form became available on August 19, 2005. Stakeholder input was reviewed and categorized into nine categories of concern. The categories are defined in Table 13.

Table 13: Definitions of Categories 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.

Only a limited number of correspondence was received: five comment forms and one letter. Five respondents identified themselves as a veteran, and one as "other". These stakeholders indicated that their concerns were:

- Maintaining services at the Poplar Bluff VAMC
- Effect of healthcare services and providers
- Support for veterans

A higher number of stakeholders (eleven chose to speak) contributed oral testimony at the first LAP public meeting. These stakeholders indicated that their concerns were similar to those who submitted written input:

- Maintaining services at the Poplar Bluff VAMC
- Effect of healthcare services and providers

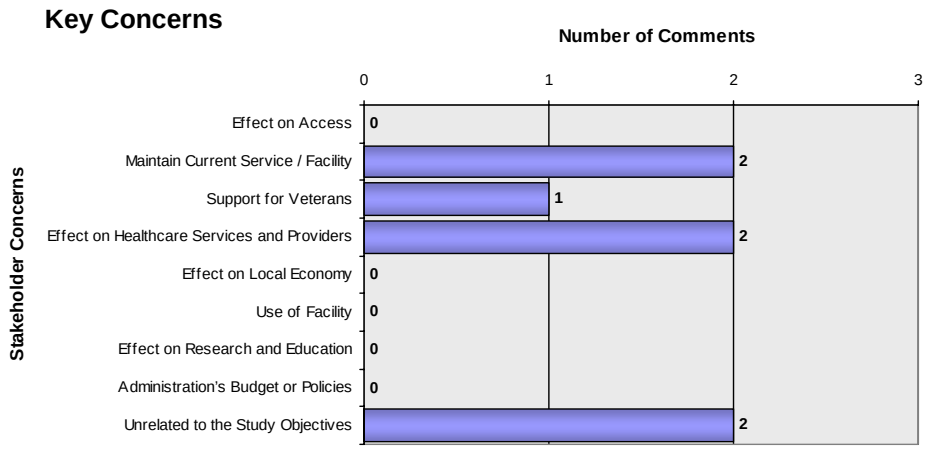
All stakeholder key concerns from Input Period One are quantified and categorized in Figures 10 and 11.

Figures 10 and 11: Analysis of Written and Electronic Inputs and Oral Testimony Received between April 20 and August 18, 2005 (Input Period One)

Poplar Bluff Study Site (4/20/2005 to 8/18/2005)

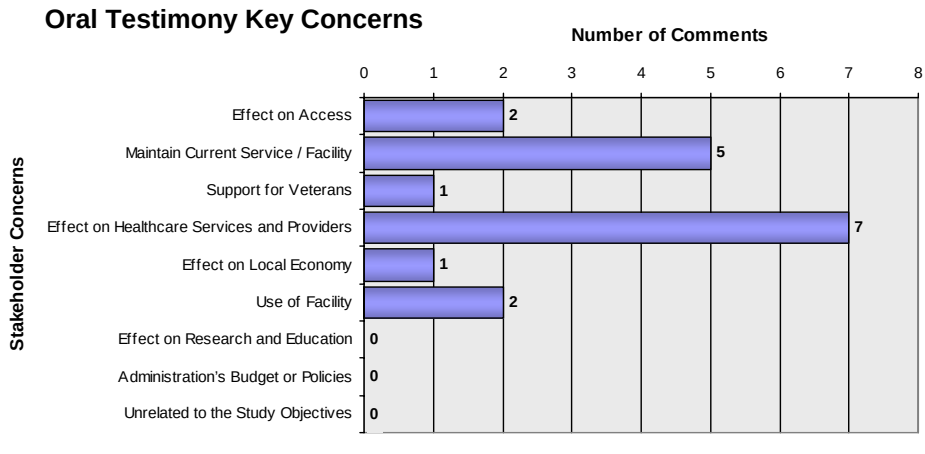
Analysis of Written and Electronic Inputs (Written and Electronic Only):

The breakout of "Key Stakeholder Concerns" regarding the Poplar Bluff 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 Poplar Bluff 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.

Comments made by members of the LAP regarded their concern about a local community provider's ability to provide the same level of quality provided by the Poplar Bluff VAMC. Stakeholder and LAP input were key factors in the options evaluation process. While working within the guidelines provided in the 2004 Secretary's CARES Decision, Team PwC considered stakeholders' input while conducting the financial analysis of both options for the Poplar Bluff VAMC. Stakeholders voiced the preference for the quality healthcare services and providers at the Poplar Bluff VAMC. Quality of care was clearly a major concern for stakeholders in the Poplar Bluff area. Team PwC addressed this concern by assessing the potential impact on the quality of care for both options. The quality of care assessment included a number of factors such as understanding each option's ability to meet the service needs of veterans, comparing each option's score on several key Joint Commission for the Accreditation of Healthcare Organizations (JCAHO) quality indicators, financial history, and other factors that might affect quality of care.

Stakeholder Input for BPO Selection

Input Period Two began on August 19, 2005, when the BPOs for the Poplar Bluff VAMC were released to the public, and a new options-specific comment form became available. Input Period Two ended on September 24, 2005, ten calendar days after the public meeting, which occurred on September 14, 2005. The ten-day comment period was enacted in order to provide timely feedback to the Secretary in the form of a stakeholder input analysis report. The BPOs for the Poplar Bluff VAMC were presented in greater detail to the LAP and the public at the second LAP public meeting. As with the first public meeting, stakeholders had the opportunity to provide testimony and submit written comments during this meeting.

Poplar Bluff stakeholders were far less engaged during Input Period Two, as only one form of input was received; a single person who spoke at the second LAP meeting. This individual expressed satisfaction with the current state of the hospital, and concern about keeping the facility open.

Stakeholder Feedback on BPOs

The comment form that was available electronically and in paper form throughout Input Period Two allowed stakeholders the opportunity to provide option-specific feedback. Stakeholders were able to indicate if they "favor", are "neutral", or are "not in favor" of each of the BPOs. However, no stakeholders chose to submit either a paper or electronic comment form, and no other correspondence was received.

Nevertheless, the input received during Input Period One captured feedback regarding stakeholders' concerns as presented at the LAP. Both the oral testimony and public comment forms received prior to the second LAP meeting consistently included expressions of support for maintaining inpatient services at the Poplar Bluff VAMC, which is BPO 1, the baseline option.

LAP Deliberations

Team PwC presented the baseline and one other BPO at the second public meeting. The public and the LAP had the opportunity to ask questions during the presentation. The audience was then invited to present public testimony. Following the presentation of public comments, the LAP conducted its deliberations. The LAP Chair set the approach for the panel to denunciate and evaluate the options.

Table 14 presents the results of the LAP deliberations. The LAP unanimously voted to recommend BPO 1, while unanimously rejecting BPO 2.

Table 14: LAP BPO Voting Results

BPO	Yes	No
1	5	0
2	0	5

Evaluation System for BPOs

Each BPO is evaluated against the baseline option in an assessment table providing comparative rankings across several categories and an overall attractiveness rating (see table below). The results of the BPO assessment and the Team PwC recommendation are provided in the subsequent sections.

Table 15: Evaluation System for BPOs

Rating for all categories except cost and overall evaluation	
↑	The BPO has the potential to provide a slightly improved state than the baseline BPO for the specific discriminating criteria (e.g. access, quality, etc)
↔	The BPO has the potential to provide materially the state as the baseline BPO for the specific discriminating criteria (e.g. access, quality, etc)
↓	The BPO has the potential to provide a slightly lower or reduced state than the baseline BPO for the specific discriminating criteria (e.g. access, quality, etc).
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 **(≥ 200%)**
↓↓	Significant investment required relative to the baseline BPO **(121% to 199%)**
-	Similar level of investment required relative to the baseline BPO **(80% to 120% of baseline)**
↑↑	Reduced level of investment required relative to the baseline BPO **(40%-80%)**
↑↑↑↑	Almost no investment required **(≤ 39%)**
Level of Re-use proceeds relative to baseline BPO (based on results of initial Re-use study)	
↓↓	High demolition/clean-up costs, with little return anticipated from Re-use
-	No material Re-use proceeds available
↑	Similar level of Re-use proceeds compared to baseline (+/- 20% of baseline)
↑↑	Higher level of Re-use proceeds compared to baseline (e.g. 1-2 times)
↑↑↑	Significantly higher level of Re-use 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

BPO 1: Baseline

BPO 1: Description

The baseline BPO, as defined for the CARES study, is the scenario that applies the forecasted utilization onto the current facility and service mix and assumes the only changes are investments to ensure the facilities are up to date. There are no major capital projects scheduled and, thus, there is not expected to be a major change in the current facilities or service provision. For Poplar Bluff, the baseline option (BPO 1) is the option that results in inpatient medicine care remaining at the Poplar Bluff VAMC. Therefore, there are no changes in the service mix, provision or services, or geographic location.

BPO 1: Pros & Cons

Table 16: BPO 1 Pros & Cons

Pros	• BPO 1 would maintain the only VA provider of inpatient medicine services in a large geographic area (about a 100 mile radius). These beds would continue to provide access within guidelines for veterans in the Poplar Bluff service area. • Under BPO 1, quality would remain at the same level and potentially improve. Assuming that the critical volume of services are provided to maintain adequate quality of care, the recent addition of a cardiologist to the VAMC staff may result in higher levels of care. The addition of a cardiologist means that veterans in the Poplar Bluff area will have direct access to inpatient cardiology services and will not have to travel to St. Louis, MO or Little Rock, AR to receive care. • The per unit cost of care for providing inpatient medicine services is lower at the Poplar Bluff VAMC than the local community provider. BPO 1 would result in maintaining a relatively low per unit cost of care. • Based on the input received from stakeholders, BPO would appear to be the most popular option. Stakeholders cited a variety of reasons they prefer maintaining inpatient medicine care at the Poplar Bluff VAMC including access to care, quality of the care they receive, and relationships created with the VAMC Poplar Bluff staff. • For Poplar Bluff area veterans, the transfer of inpatient medicine to a local community provider may affect medical continuity as ambulatory and inpatient care would be delivered in different facilities.
Cons	No notable cons for this option.

BPO 1: Assessment

The table below summarizes the assessment of the baseline BPO according to the discriminating criteria.

Table 17: BPO 1 Assessment

Assessment of BPO 1	Description
Healthcare Access	
Primary	The baseline provides the same level of access.
Acute	The baseline provides the same level of access.
Tertiary	The baseline provides the same level of access.
Healthcare Quality	
Quality of medical services	Not applicable due to the scope of the study.
Modern, safe, and secure environment	Not applicable due to the scope of the study.
Ensures forecast healthcare need is appropriately met	The Poplar Bluff VAMC handles the current workload of inpatient services.
Impact on VA and Local Community	
Human Resources: FTEE need (based on volume)	Not applicable due to the scope of the study.
Recruitment / retention	Not applicable due to the scope of the study.
Research	Not applicable due to the scope of the study.
Education and Academic Affiliations	Not applicable due to the scope of the study.
Use of VA Resources	
Operating cost effectiveness	Not applicable
Level of capital expenditure anticipated	As detailed above, an estimated investment of $16.3 million is required to address current known problems. However, there are minimal to no other additional expenditures anticipated required to implement BPO 1.
Level of re-use proceeds	Not applicable due the scope of the study.
Cost avoidance	Not applicable
Overall cost effectiveness	Not applicable
Ease of Implementation	
Riskiness of BPO implementation	There was no inherent risk found with BPO 1, as it reflects the current state.
Ability to Support VA Programs	
DoD sharing	Not applicable
One-VA Integration	Not applicable
Special Considerations	Not applicable

BPO 1: Team PwC Recommendation

BPO 1 would maintain the only VA provider of inpatient medicine services in a large geographic area (about a 100 mile radius). These beds would continue to provide access with guidelines for veterans in the Poplar Bluff service area while quality would remain at least the same and potentially improve. Assuming that the critical volume of services are provided to maintain adequate quality of care, the recent addition of a cardiologist to the VAMC staff may result in higher quality levels of care. The addition of a cardiologist means that veterans in the Poplar Bluff area will have direct access to inpatient cardiology services and not have to travel to St. Louis, MO or Little Rock, AR to receive such care.

In addition, the per unit cost of care for providing inpatient medicine services is lower at the Poplar Bluff VAMC as compared to the local community provider. Analysis reveals that in order for the alternative option of contracting inpatient medicine to a local community provider to become more cost effective than maintaining care at the Poplar Bluff VAMC, the VA would have to be successful in reducing the cost of contracting by approximately 48%.

Although no specific comments were received regarding BPO selection, the stakeholder feedback following the first LAP meeting suggests that stakeholders strongly favor this BPO. The baseline option addresses the stakeholders' greatest concern which is to maintain current services provided at the Poplar Bluff VAMC and to continue to have access to quality healthcare services and providers.

The baseline option is recommended for adoption by the Secretary based upon the cost comparison with the alternative option and the level of quality and access to VAMC services. This option received overwhelming support by the LAP and stakeholders.

BPO 2: Contract Inpatient Medicine Services to a Local Community Provider

BPO 2: Description

BPO 2 is the option of purchasing inpatient medicine services for veterans from a local community provider in the Poplar Bluff area. Under this option, the VA would purchase care, at a pre-determined price, from a local community (private sector) provider. The contracted provider would need to meet the CARES objectives of meeting or exceeding current care provided to area veterans in terms of access, quality, and cost effectiveness. The Poplar Bluff VAMC would continue to provide ambulatory surgery services, primary care, outpatient mental health and other outpatient services. As a result, the VA would be required to continue to operate the main hospital building (Building 1) and would still need to invest to correct the current known facility problems.

The city of Poplar Bluff has approximately 17,000 residents and only one local community acute care facility. Workload data suggests that Poplar Bluff area residents may be getting their healthcare from facilities other than the local community provider. For purposes of this study, Team PwC evaluated all local community providers within a 60-mile radius of the city of Poplar Bluff. There are ten other acute care facilities within 60 miles of Poplar Bluff, yet these facilities either exceeded the national guidelines for drive time requirements for access to acute care services, scored poorly in terms of key measures of quality, or did not provide the same type or level of service provided currently at the Poplar Bluff VAMC.

BPO 2: Pros & Cons

Table 18: BPO 2 Pros & Cons

Pros	• BPO 2 results in access to acute care services (inpatient medicine) that are at least equal to the access that Poplar Bluff area veterans experience currently.
Cons	• While the local community provider meets service need requirements, it scored poorly on JCAHO "National Quality Improvement Goals" for heart attack care, heart failure care and pneumonia care, stating, "this organization's performance is below the performance of most accredited organizations". • The cost of current contracted inpatient medicine is higher than that of the VA. For this option to be more cost effective, costs would need to fall below 48% of current contracting experience and this seems unlikely to be achievable. Based upon analysis, BPO 2 is not a cost-effective alternative. • For Poplar Bluff area veterans, the transfer of inpatient medicine to a local community provider may affect medical continuity as the transfer of ambulatory to inpatient care would be affected. • Retaining the recently recruited cardiologist if inpatient services are outsourced will be challenging. As a consequence, the level of ambulatory cardiology services currently provided at the Poplar Bluff VAMC may also be affected.

	• The local community provider has a history of frequent change in ownership. This history is indicative of increased risk regarding the financial viability of the local community provider. In addition to the concern that the local community provider may not be financially viable, there is the concern that future ownership may jeopardize maintaining any contractual arrangements established with the VA. • Based upon the limited correspondence received from stakeholders, this option is not popular with veterans, VA staff and other such stakeholders.

BPO 2: Assessment

Table 19 below compares the BPO to the baseline BPO. The evaluation arrows used in the comparison to baseline are defined in Table 15 on page 40.

Table 19: BPO 2 Assessment

Assessment of BPO __	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary	↔	Access remains relatively unchanged. The local community provider is located within a mile from the Poplar Bluff VAMC.
Acute	↔	No material change from the baseline.
Tertiary	↔	No material change from the baseline.
Healthcare Quality		
Quality of medical services		Not applicable.
Modern, safe, and secure environment		Not applicable.
Ensures forecast healthcare need is appropriately met	↔	BPO 2 does not create a service gap. Service need would not be materially impacted.
Impact on VA and Local Community		
Human Resources: FTEE need (based on volume)		Not applicable with scope, yet based upon the services which remain at the VAMC, the staffing model would be significantly altered. The new model would reduce staffing costs.
Recruitment / retention		Not applicable.
Research		Not applicable.
Education and Academic Affiliations		Not applicable.
Use of VA Resources		
Operating cost effectiveness	↓	The result of financial analysis for this option indicates increased costs associated with contracting for care. There are offsets including revised staff model requirements, yet they are not significant enough to counteract the increased cost.

Assessment of BPO __	Comparison to Baseline	Description of Impact
Level of capital expenditure anticipated	-	There is no significant additional investment required for this BPO. The $12 million investment is still required for the main building to support outpatient service delivery.
Level of re-use proceeds		Not applicable.
Cost avoidance	-	Almost none, since the main hospital building will continue to be used for patient care even if inpatient services are transferred to the community provider. The significant investment required in rectifying current known problems would still be required.
Overall cost effectiveness	↓	BPO 2 is less "attractive" than the baseline option. While access is not compromised, BPO 2 offers a solution that adversely impacts cost effectiveness as compared to the baseline. The net present cost is approximately 9% greater for BPO 2 than the baseline. This does not offset any gains achieved in reduced operating costs.
Ease of Implementation		
Riskiness of BPO implementation	↓	Risks are minimal but do include negotiation and future monitoring of contracts with provider, staffing transitions, and transition of services.
Ability to Support VA Programs		
DoD sharing		Not applicable
One-VA Integration		Not applicable
Special Considerations		Not applicable
Overall Attractiveness	↓↓	In terms of cost effectiveness, potential risk, quality of care, and stakeholder support, BPO 2 appears to be a less desirable option than the baseline (BPO 1).

BPO 2: Team PwC Recommendation

Under this option, the VA would purchase care, at a pre-determined price, from a local community (private sector) provider. The contracted provider would need to meet the CARES objectives of meeting or exceeding current care provided to area veterans in terms of access, quality, and cost effectiveness. The Poplar Bluff VAMC would continue to provide ambulatory surgery services, primary care, outpatient mental health, and other outpatient services. As a result, the VA would be required to continue to operate the main hospital building (Building 1) and would not be able to avoid the investment requirements needed to solve the current known problems (e.g., HVAC replacement in Building 1).

This BPO meets the guidelines for access to primary, acute, and tertiary care services. Since there is a local community provider located within one mile of the Poplar Bluff VAMC campus, it appears patient access could be maintained.

There are several drawbacks to this option. Overall, this BPO has a 9% greater net present cost than the baseline. In order for this BPO to be as cost effective as the baseline, the VA would have to reduce the cost of contracting by approximately 48%. Although this option may meet forecasted service needs for veterans in this area, there are other quality of care challenges related to this option's ability to maintain or improve overall quality of care. The community provider associated with this option scored poorly on the Joint Commission for the Accreditation of Healthcare Organizations (JCAHO) "National Quality Improvement Goals" for heart attack care, heart failure care, and pneumonia care, with a specific note that "this organization's performance is below the performance of most accredited organizations". In addition, this option may impact medical continuity by moving inpatient medicine services to another provider. Finally, there is a concern regarding the financial viability of the local community provider due to a history of ownership changes.

Although no specific comments were received regarding BPO selection, the stakeholder feedback following the first LAP meeting suggests that stakeholders do not favor this BPO. In general, stakeholders expressed their belief that the quality of services and healthcare providers at the Poplar Bluff VAMC was high and that they felt that veterans should continue to have access to such services and providers. This option does not guarantee such access.

Therefore, Team PwC agrees with the LAP recommendation that BPO 2 should not be selected for implementation.

Glossary

Acronyms

AFB	Air Force Base
AMB	Ambulatory
BPO	Business Plan Option
CAI	Capital Asset Inventory
CARES	Capital Asset Realignment for Enhanced Services
CAVHCS	Central Alabama Health Care System
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
LAP	Local Advisory Panel
OP	Outpatient
MH	Mental Health
MOU	Memorandum of Understanding
N/A	Not Applicable
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	A determination of the numbers of actual enrollees who are within defined travel time parameters for primary care and acute hospital care after adjusting for differences in population density and types of roads.
Alternative Business Plan Options	Business Plan Options generated as alternatives to the baseline Business Plan Option providing other ways the 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 the VA also includes several diagnostic and treatment services, such as Radiology.
Baseline Business Plan Option	The Business Plan Option for the 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. BPOs are a

	set of multiple facility-level solutions for a given specified CARES category(ies).
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 26 categories under which workload is aggregated in the VA demand models. *(See Workload)*
Clinical Inventory	The listing of clinical services offered at a given station.
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 disease 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)*
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	Method of satisfying future space requirements that involves reusing space currently in use or space currently vacant.
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 counties with a veteran population of at least 70,000. *(See Market Area)*
Stakeholder	A person or group who has a relationship with the VA facility being examined or an interest in what the VA decides about

	future activities at the facility.
Stop	A visit to a clinic or service rendered to a patient.
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.