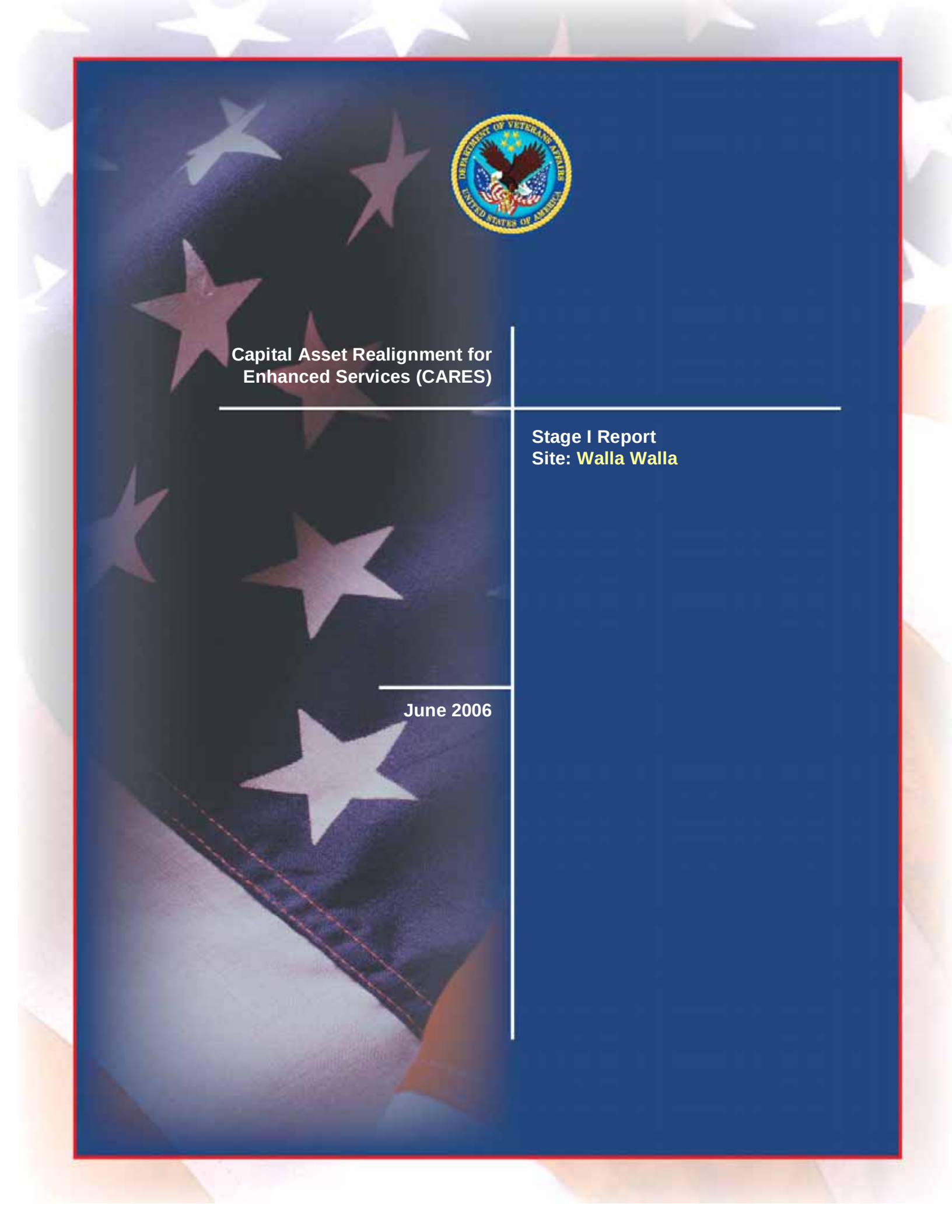


Capital Asset Realignment for Enhanced Services (CARES)

Stage I Report
Site: Walla Walla

June 2006

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

Table of Contents

1.0 Introduction

CARES (Capital Asset Realignment for Enhanced Services) is the Department of Veterans Affairs' (VA's) effort to produce a logical, national plan for modernizing healthcare facilities. The objective is to identify the optimal approach to provide current and projected veterans with healthcare equal to or better than is currently provided in terms of access, quality, and cost effectiveness, while maximizing any potential re-use of all or portions of the current real property inventory owned by VA. The Secretary's Decision Document of May 2004 called for additional studies in certain geographic locations to refine the analyses developed in Phase I of the CARES planning and decision-making process. Team PricewaterhouseCoopers (Team PwC) is assisting VA in conducting VA CARES Business Plan Studies at 17 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.

Jonathon M. Wainwright Memorial Veterans Affairs Medical Center, Walla Walla, WA (Walla Walla) is one of the CARES study sites and includes each of the study types referenced above. The Secretary's Decision Document of May 2004 includes the following directives for Walla Walla:

- Develop a comprehensive study to determine how to improve the healthcare environment of care in Walla Walla, while maximizing use of VA resources.
- The study will evaluate the demand for healthcare against the availability of care in the community and patient safety concerns as well as consider the limitations and substantial costs of maintaining an aging and expensive medical center campus for a current total inpatient and nursing home average daily census of 53.
- The study will include multiple options and will include the potential for partnership with community and private sector organizations to provide nursing home and psychiatry inpatient care to veterans in the community.
- VA will consider options for moving into a more modern and efficient infrastructure designed to provide quality patient care.
- The study will identify the appropriate physical resources needed for VA's mission and identify options to divest or lease excess property to generate revenues that could be applied to VA's healthcare mission. Particular sensitivity will be devoted to the clinical and psychosocial needs of nursing home and psychiatry inpatients.

2.0 Purpose of this Report

The CARES studies are being performed in three stages: an initial planning phase and two phases centered on option development and selection. This report presents the results of Stage I (option development). In Stage I, Team PwC develops and assesses a broad range of potentially viable business plan options (BPOs) that meet the forecast healthcare needs for the study sites. Based upon an initial analysis of these BPOs, Team PwC recommends up to six BPOs to be taken forward for further development and assessment in Stage II. VA decides which BPOs should be studied further in Stage II. During Stage II, a more detailed assessment is conducted

including a financial analysis with refined inputs and consideration of second-order impacts such as the implications on the community. After Stage II, Team PwC recommends a single BPO to the Secretary.

Stakeholder input from veterans, veterans advocates, and the community play an important role in BPO development and assessment. A Local Advisory Panel (LAP) has been established at each study site to ensure veterans' issues and concerns are heard throughout the study process. Veterans' and other stakeholder views are presented at a series of public meetings and through written and electronic communication channels.

Team PwC has prepared this report in accordance with the CARES Business Plan Studies Methodology and Statement of Work (SOW) for the CARES studies. The SOW calls for submission in Stage I of a range of BPOs that are at the concept stage and represent feasible choices that have the potential to meet VA objectives. In Stage II, Team PwC will further develop selected BPOs into technical data driven analyses and a recommended primary BPO.

3.0 Site Overview

The Jonathan M. Wainwright Memorial Veterans Affairs Medical Center (VAMC) is located in Veterans Integrated Service Network (VISN) 20. VISN 20 has five markets: Alaska, Inland North, Inland South, South Cascades, and Western Washington, Walla Walla is in the Inland North market.

Current Healthcare Provision

The Walla Walla VAMC is a secondary care level facility offering primary care, subspecialties in medicine and observation, mental health and psychosocial residential rehabilitation. Walla Walla VAMC houses 58 beds comprised of 5 acute care/observation beds, 3 inpatient psychiatry beds, 24 nursing home beds, 6 domiciliary beds, and 20 other mental health beds (PRRTP). There are no inpatient surgery beds at the Walla Walla facility and urgent surgical care is purchased from a local community provider (Walla Walla General Hospital and St. Mary's Hospital) or referred to the Seattle or Portland VAMCs, which are both tertiary treatment centers.

Ambulatory services available at the Walla Walla campus include medicine, non-surgical and surgical subspecialties, mental health, physical medicine, and rehabilitation. Outpatient mental health programs include day treatment, homeless counseling, and work therapy. In addition, the Walla Walla VAMC has community based outpatient clinics (CBOCs) or outpatient clinics in Richland, Washington; Yakima, Washington; and Lewiston, Idaho.

Veterans Rural Access Hospital Directive

The Veterans Health Administration (VHA) Directive 2004-061 defining Veterans Rural Access Hospitals is as follows:

> "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 a Veterans Rural Access Hospital (VRAH)."[1]

A VRAH is described by VA as 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.

Walla Walla VAMC is a small facility that presently runs an average daily census of approximately five inpatient medicine/observation beds (excluding psychiatry, substance abuse, and nursing home care). The Secretary's Decision in May 2004 was silent on the application of the VRAH policy and its implications on the development and selection of BPOs for this site. Team PwC reviewed the policy and incorporated its broader attributes into the BPOs as location and scope of services were determined.

Access

The CARES Commission Report to the Secretary of Veterans Affairs in 2004 concluded that the Inland North Market has a major access problem for acute as well as tertiary care because the population in that region is too dispersed, and, therefore, sought to have studied possible alternatives for the location of acute and specialized programs assigned by VA to the Walla Walla facility.

Analysis of drive time determines the number of actual and projected enrollees that are within each defined travel parameter. Drive time guidelines at the market level are as follows: 70% of enrollees for primary care and 65% of enrollees for acute hospital and tertiary care should be within the minimum travel times to a VA facility. Analysis of drive time information for

[1] VHA Directive 2004-061 – Veterans Rural Access Hospitals

enrollees in the Inland North Market indicates that VA's drive time guideline is not met for primary, acute hospital, or tertiary care.

Currently, the Inland North Market area falls short of the access guideline for primary care by 16%. For acute hospital, the percent of enrollees within the driving time threshold did not meet the access guideline by 5%, and for tertiary care, the market area falls short of the access guideline by 10%.

Table 1: VA Drive Time Guidelines - Inland North Market

VA Drive Time Guidelines					
Primary Care		**Acute Hospital**		**Tertiary Care[2]**	
Baseline	**Meets Threshold**	**Baseline**	**Meets Threshold**	**Baseline**	**Meets Threshold**
53.8%	No	59.8%	No	55%	No

Quality

The measures listed below (Table 2) provide a selective description of current healthcare clinical quality at Walla Walla, along with corresponding results at the VISN and national levels. This set of measures was selected by PwC and VA experts based on available internal VA data, and compatibility with Centers for Medicare and Medicaid Services (CMS) and industry standards. These quality measures in relation to the CARES healthcare study serve as a benchmark for comparison with the BPOs that transfer care to a community provider to determine the potential for any significant quality impacts when care is not directly provided by VA, or when one VA facility is transferring care to another VA facility. Although the quality measures gathered for analysis are based on 2004 data, for the evaluation of quality of care for the year 2023, Team PwC will assume a linear relationship to this current data.

According to 2004 data, the Walla Walla site achieved better scores for colorectal cancer (ambulatory care), behavioral health and mental health as compared to both the VISN and overall national scores. However, Walla Walla achieved the same or worse scores on three clinical setting measures: heart failure, endocrinology (ambulatory care), and patient satisfaction (inpatient and ambulatory care).

[2] Tertiary care data is based on 2001 figures. All other information is based on 2003 figures.

Table 2: Quality Measures Walla Walla

Clinical Setting	Indicator	Indicator Origin	Walla Walla '04 Result	VISN #20 '04 Result	VA National '04 Result
Inpatient Care					
Heart Failure	ACE Inhibitor for left ventricular dysfunction as a key inpatient measure	VA, CMS	67%	96%	93%
Ambulatory Care					
Colorectal Cancer	Screening rate	VA, HEDIS	74%	72%	72%
Endocrinology	Full lipid profile in the past two years	VA, HEDIS	95%	93%	96%
Behavioral Health					
Major Depressive Disorder	% of patients with a new diagnosis of depression – medication coverage	VA, HEDIS	82%	79%	67%
Mental Health					
Global Index	Weighted average of seven mental health indicators[3]	VA	63%	60%	54%
Long Term Care					
Long Term Care	% of high risk patients with pressure sores	VA, CMS	NA	8%	22%
Long Term Care	% of residents physically restrained	VA, CMS	NA	1%	1%
Patient Satisfaction					
Ambulatory Care	% of surveyed patients rating overall Ambulatory Care Services as very good or excellent	VA, Industry	76%	81%	77%
Inpatient Care	% of surveyed patients rating overall inpatient Services as very good or excellent	VA, Industry	74%	81%	80%

In Stage II, Team PwC will continue to conduct a comparable assessment to determine the impacts on quality of care by investigating additional quality measures pertinent to the various BPOs selected for further study. In addition, Team PwC will assess the impacts on quality by studying the impact on specialized services, continuity of care, and enhancement of services. All of these studies will provide information on the potential impacts to quality and aid Team PwC in recommending a BPO for implementation at the conclusion of Stage II.

Local Healthcare Market[4]

The population of Walla Walla, WA is supported by community healthcare services appropriate to its size and demographic composition which are highlighted below:

[3] See Glossary for description of indicators

[4] Source for occupancy data reported for identified local market providers: Solucient.

Walla Walla General Hospital, Walla Walla, Washington

Founded in 1899, Walla Walla General Hospital is a non-profit integrated healthcare delivery system that owns and operates a licensed 72-bed acute care hospital in Walla Walla, Washington. An active medical staff of 100 physicians, other caregivers, and support staff serve the healthcare needs of a primary service area population of 60,000.

Walla Walla General Hospital is part of Adventist Health, a 20-hospital consortium, not-for-profit healthcare system sponsored by the Seventh-day Adventist Church with headquarters in Roseville, California. Adventist Health oversees regional delivery systems in California, Hawaii, Oregon, and Washington. According to 2004 hospital utilization data, Walla Walla General Hospital reported a total occupancy of 42%, and 38% in acute care beds.

St. Mary Medical Center, Walla Walla, Washington

St. Mary Medical Center is a 148-bed acute care community hospital located within one mile of the Walla Walla VAMC. St. Mary Medical Center offers general medical, surgical, and diagnostic services. St. Mary's is designated as a Level III Trauma Center and a Level II Adult Trauma Rehabilitation Service in the state of Washington. Total occupancy of St. Mary's, as of 2004, was reported to be 55%, with acute care beds reporting 50% occupancy in the same period.

Local Nursing Homes

Selected nursing homes that offer a level of nursing home care similar to that provided at Walla Walla VAMC have been identified through research of public sources. These have not been assessed from a quality perspective, but do meet access criteria, and include:

- Park Manor Rehabilitation Center, Walla Walla, Washington
- Regency At The Park, College Place, Washington
- St Mary Medical Center T.C.U., Walla Walla, Washington
- Washington Odd Fellows Home, Walla Walla, Washington

A review of nursing home availability in the Tri-Cities and Yakima areas shows that occupancy rates for beds in those areas are generally quite high (83-98% occupancy rate), but it seems likely that the market can accommodate the patients currently cared for at the Walla Walla VAMC.

Local Inpatient Psychiatry Services

Similarly, selected inpatient psychiatry providers have been identified in the greater Walla Walla region (Tri-Cities), though they have not been fully assessed for quality based on current research of public sources. These alternative sites include:

- Our Lady of Lourdes Health Center, Pasco, Washington (total 132 beds, including psychiatry)
- Carondelet Behavioral Health Center, Richland, Washington (32 beds)

In addition, the following health services provided in the Yakima and Tri-Cities area are highlighted below.

Lourdes Medical Center, Pasco, Washington—Tri-Cities

Lourdes Medical Center is a 132-bed acute and specialty care community hospital located in Pasco, Washington, approximately 50 miles from Walla Walla. In addition to acute medical/surgical services, it offers rehabilitation and therapy, emergency care, and obstetrics and pediatrics. Lourdes, as noted above, also provides affiliated psychiatry and counselling services. Total occupancy for Lourdes was reported in 2004 to be 30%, with the rate for acute beds reported as 21%.

Kadlec Medical Center, Richland, Washington—Tri-Cities

Kadlec Medical Center is a 124-bed acute care community hospital located in Richland, Washington, approximately 55 miles from Walla Walla. The hospital provides care in general medicine, surgery, intensive care, intermediate care, neonatal intensive care, obstetrics and pediatrics. There are affiliated imaging and diagnostic, surgical and therapy centers located in Richland to support Kadlec's patient care mission.

In 2004, Kadlec reported 72% total hospital occupancy, with the rate for acute beds at 61%.

Kennewick General Hospital, Kennewick, Washington—Tri-Cities

Kennewick General Hospital is a 101-bed acute care community hospital located in Kennewick, Washington, also approximately 50 miles from Walla Walla. In addition to the acute care hospital is the Kennewick General Hospital Medical Mall. The Medical Mall is a comprehensive state-of-the-art outpatient facility located in West Kennewick. The mall includes a diagnostic imaging center, a Medical Mall pharmacy, and an outpatient surgery center. Kennewick General's 2004 total occupancy was less than most at 41%, with 36% of its acute care beds occupied.

Yakima (approximately 130 miles from Walla Walla) has two major hospitals that meet community health needs and function as regional referral facilities for the Central Washington region as well as the western portion of the Inland North market sector serving as Walla Walla VAMC's catchment area. A conjoined medical staff of 240 physicians practices at both hospitals, representing 33 medical specialties. Both facilities provide surgical, general medical, oncology, coronary care, intensive care, and pediatric and maternity services.

Yakima Valley Memorial Hospital, Yakima, Washington

Yakima Valley Memorial Hospital has 225 beds, including seven in the intensive care nursery. Hospital inpatient services include: cancer care, cardiology, critical care, orthopedics, The Family Birthplace, a pediatrics unit, neonatal intensive care, surgery, psychiatric healthcare, and

respiratory therapy as well as a laboratory and a pharmacy. In 2004, Yakima Valley Memorial's total occupancy rate was reported at 61%, with 54% of its acute care beds filled.

Yakima Regional Medical Center and Heart Center, Yakima, Washington

Yakima Regional Medical and Heart Center is a fully accredited, 226-bed facility providing comprehensive medical services and is located in the heart of Washington State. Yakima Regional provides a complement of medical services including open-heart and neuro-surgery, cancer care, and same-day surgery. Yakima Regional treats heart attacks and is a Level III trauma center. Yakima Regional Medical Center's beds were reported in 2004 to be 48% occupied, with 55% of its acute care beds filled over that same reporting period (as of June 30, 2004).

Other regional acute and specialty providers in southeast Washington and northeast Oregon include: Providence Hospital-Yakima (190 beds); Grande Ronde Hospital, LaGrande, OR (62 beds); St. Anthony Hospital, Pendleton, OR (49 beds); and Eastern Oregon Psychiatric Center, Pendleton, OR (60 beds).

Based on this assessment, there appears to be capacity at regional hospitals, particularly for acute care services, should VA choose to contract for care.

Facilities

The Walla Walla VAMC campus is rectangular in shape, located in the southwest quadrant of the City of Walla Walla, WA, and is comprised of approximately 88 acres. There are an additional eight acres of site area currently outleased to non-VA users. A public park, Fort Walla Walla, is located along the campus' southern border as well as directly west of the VAMC campus. The campus is composed of 28 buildings totaling 362,611 building gross square feet (BGSF). The oldest buildings were constructed in 1858, with the most recent construction in 1947. Nine of the buildings built in the 1920s and 30s were renovated in the 1980s and 90s. The facilities were initially developed as part of Fort Walla Walla, and then converted to provide health services including ambulatory and acute care, psychiatry, research, and other medical uses. Thirteen of the individual buildings are identified historic with 15 additional structures identified as eligible for historic designation; the site is listed on the National Register as an historic district (Fort Walla Walla). Figure 1 presents a site plan for the Walla Walla campus. A list of the buildings on campus, their size and function are presented in Table 3. Not included on this list of buildings is a sweat lodge erected to accommodate traditional Native American healing rites. According to a statement made by Lindsey Watchman, Executive Assistant to the Executive Director of the Confederated Tribes of the Umatilla Indian Reservation in April 2004 to the Senate Committee on Veterans Affairs:

> This VA recognizes the special cultural experiences and sensitivities that we Native Americans bring with us, a holistic concept of healing and natural elements that support it. We have for us a sweat lodge at this facility that is not available to us at other VA facilities. Native Americans from the Umatilla, Walla Walla, Cayuse, Nez Perce,

> Yakama, Colville, and tribes as far away as Montana and Alaska prefer to come to this facility to use the sweat as one way of curing our spirits.

The main VAMC buildings are arranged around central parade grounds; the logistical and support buildings are clustered to the north of the central group of buildings. The buildings are in a park-like setting with brick or wood clapboard exterior walls with asphalt shingle roofs.

Figure 1: Existing Building Distribution

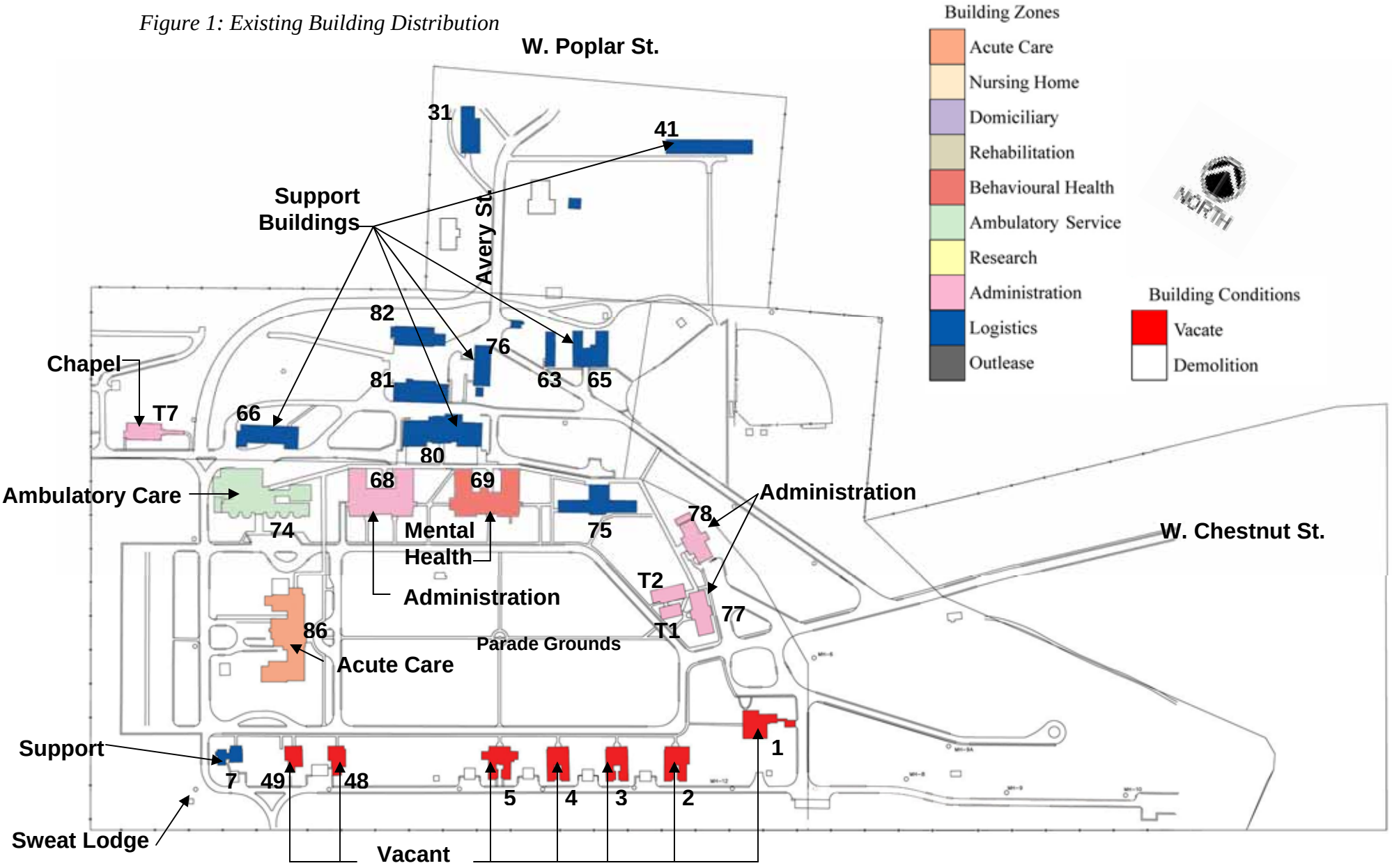


Table 3: Existing Departmental Distribution by Building[5]

Building	Floor	Function	Year Built	Year Renovation	Total Floors	Building Total GSF
CC		Connecting Corridors	1922		1	15,800
T1		AMMS	1947		1	1,250
T2		Fiscal	1945		1	2,026
T7		Chapel	1945		1	4,042
1		Directors Quarters (vacant)	1858		2	6,134
2		Duplex Quarters (vacant)	1858		1	5,000
3		Duplex Quarters (vacant)	1858		1	4,850
4		Duplex Quarters (vacant	1858		1	4,850
5		Duplex Quarters (vacant)	1858		1	5,116
7		VA Police	1930		1	6,780
31		Grounds Storage	1859		1	5,211
41		Excess Storage	1888		1	6,050
48		Quarters (vacant)	1888		1	3,700
49		Quarters (vacant)	1888		1	3,700
63		Plumbing Shop	1904		1	2,200
65		Carpenter Shop	1904		1	8,680
66		Laundry	1937	1984	2	8,725
68		Administration	1906	1989	3	39,898
69		Mental Health (G.M. Hospital Building)	1906	1995	3	48,195
74		Ambulatory Care	1922	1996	2	51,033
75		Canteen	1922		1	20,506
76		Boiler Plant	1922	1980	1	4,700
77		Human Resources	1929		1	11,214
78		Theatre/Directors Suite	1930		2	10,800
80		Dietetics/Library	1932	1985	2	23,520
81		Warehouse	1928	1981	1	6,351
82		Facilities Management /Garages/IRM	1932	1994	2	8,350
86		Hospital/NHCU	1929	1995	4	43,930
	B	Engineering & Pathology				
	1	Radiology, Pathology, Dental & Eye Clinic				
	2	5 Beds Medicine & 30 Beds NHC				
	3	ACS-Specialty Care, Nursing Svc. Admin. & Pharmacy				

[5] Source: VA Capital Asset Inventory Database

Seismic Considerations

VHA directives establish policy on the seismic safety of VHA buildings, thereby ensuring that VA provides adequate life-safety protection to veterans, employees, and other building occupants.

The Walla Walla VAMC is located in an area of the country that is rated by VA as "moderate high" for seismicity, which means that critical and essential buildings must be renovated to withstand a specified level of seismic force. Critical and essential facilities include both patient care facilities as well as buildings that contain support functions such as boiler plants, emergency generators, fire or police stations, information technology and communication centers, or hazardous materials storage. They contain operations and functions that must be able to resume immediately following a seismic event, while repair is required to restore some non-essential services due to a limited amount of seismic damage.

The Walla Walla campus contains five buildings that have been seismically evaluated by VA as high risk. In addition, there are 12 non-exempt buildings that should be evaluated before renovation or re-use. Seismic retrofits, if feasible, are likely to add additional cost to renovation and re-use budgets.

Facilities Condition

Building ratings for the hospital (Building 86), ambulatory care building (Building 74) and mental health building (Building 69) are between 3.1 and 3.3 on a scale of "5" based on the VA Capital Asset Inventory (CAI) database. The CAI accesses each building's status relative to layout, adjacency, code, accessibility, and privacy. These direct care buildings were originally constructed between 1906 and 1929 and are not feasible to upgrade to comply with the modern, safe and secure standard. Other buildings on campus are rated between 2.6 and 4.0 and were built between 1858 and 1947. The facility is not centrally air-conditioned, although many of the buildings have window air conditioners.

Mechanical systems are well maintained but are substandard for modern delivery of healthcare and generally determined by Team PwC to be in poor condition, given the 20-year planning horizon. Most of the buildings yield varying levels of asbestos-containing materials (ACMs) and lead-based paint (LBP) which will require remediation.

Renovations to the existing inpatient care buildings will require substantial disruption and capital investment to address capital upgrades to comply with the modern, safe and secure standard. These include seismic retrofit, as well as fire/life safety and mechanical and electrical system upgrades. Other upgrades to current VA healthcare environment standards and applicable building codes must also be performed (e.g., sub-standard patient rooms, Americans with Disability Act compliance, etc.).

Environment

The following recognized environmental conditions were identified at the Walla Walla campus:

- The asbestos survey identified ACMs throughout the occupied areas of the campus complexes in fixtures, such as pipe insulation, vinyl floor tiles, and other fixtures. The Walla Walla VAMC completed extensive removal of piping insulation containing asbestos in many areas of the buildings. It may be necessary to conduct ACM abatement before any potential re-use can be considered. No cost estimation is available for the remaining ACM abatement.
- Based on the limited LBP survey at the residence quarters, the Walla Walla VAMC has serious lead contamination issues. Testing of the various buildings and structures built prior to 1978 may be required for any potential re-use considerations, such as for residential purposes. The Walla Walla VAMC may be required to provide a Disclosure of Information and Acknowledgement on Lead-Based Paint and/or Lead-Based Paint Hazards at the campus if residential re-use is selected. All buildings where children may be housed should be tested for lead and all potential residential buildings should be sampled along the drip line to determine if there has been any impact to surface soils.
- Walla Walla County, WA (including the subject property) is designated as a federal EPA Radon Zone 2 for potential elevated indoor radon levels. Although Zone 2 counties have a predicted average indoor radon screening level between 2 pico curies per liter (pCi/L) and 4 pCi/L, which is less than 4 pCi/L (EPA action level), higher radon concentrations ranging from 4 pCi/L to 20 pCi/L (above EPA action level) were found in some of the basements at the 36 reported test sites in the same zip code (99362) as the subject property. Therefore, elevated radon concentration is a concern. The Walla Walla VAMC should consider conducting a radon survey.
- Nearby federally designated wetlands and the military cemetery at the Walla Walla VAMC should be taken into the consideration when considering re-use options.
- The campus drinking water is provided by two wells on campus. The potential of groundwater contamination is due to nearby property operations, such as contamination from leaking underground storage tanks.
- No detailed information is provided on the hazardous waste storage, use, handling, and disposal considerations, such as the decommissioning of the medical waste incinerator and its closure report.
- No major contamination issues appear to be associated with the removed underground storage tanks. However, no tank removal closure reports were available for Team PwC to review and assess.

Current and Forecast Investment Requirements

A moderate amount of capital investment will be necessary under the baseline to bring the campus up to modern, safe, and secure standards. Included in this are renovation costs, as well as periodic and recurring maintenance costs. According to VA (Facility Condition Assessment Report), there is a need for $33.1 million for facility maintenance and repair. Ongoing maintenance and scheduled upgrades of existing clinical and support campus facilities will be

required until construction of any new facilities on or off campus. Included in the VA estimate is work on virtually all campus buildings. According to VAMC engineering staff, there are no property or site-specific capital improvement projects currently being considered. The total cost to upgrade facilities to modern, safe, and secure standards will be determined in Stage II.

Major categories, associated cost estimate and significant examples of work are summarized as follows:

Table 4: Facility Maintenance and Repair Estimates - Walla Walla VAMC

Type	Amount	Description
Architectural	$6,000,000	• ADA upgrades throughout the campus required to meet accessibility criteria. • Nursing Units have three and four bedrooms and congregate bathing. Renovate to meet patient privacy and accessibility criteria.
Structural	$10,200,000	Seismic retrofit for most buildings.
Mechanical	$10,700,000	Many buildings to be provided with a complete new HVAC system in accordance with VA criteria.
Electrical	$3,100,000	• Replace emergency generators and transfer switches. • Replace emergency power distribution to provide branch segregation.
Plumbing	$3,100,000	• Replace cold and hot water piping and values. • Replace sanitary sewer piping

Summary of Current Surplus / Vacant Space

There are seven wholly or partially vacant buildings on the Walla Walla campus. These are the original military quarters built in 1858 and 1888 (Buildings 1, 2, 3, 4, 5, 48 and 49). Total estimated vacant building square feet (SF) is currently approximately 33,000 (SF) based on review of the CAI information, augmented by on-site verification. In addition to vacant space, the CAI indicates approximately 51,000 square feet is underutilized.

Outleased Areas/Use Agreements

VA currently maintains five outleases on its Walla Walla property. In the past, it has granted use of a portion of its land area to the Walla Walla School District for the construction of the Blue Ridge Elementary School as well as to the City of Walla Walla for development of outdoor bicycle paths. The land that is part of these two grants is no longer included in the acreage of the VA campus. A summary of these outleases follows.

Walla Walla Youth Football League

The Youth Football League uses the football field paralleling West Chesnut Street as an outdoor recreational facility. The League's five-year lease began in February 2002. Walla Walla VA receives no payment for the lease other than a utilities pass-through.

WA-TWO Federal Credit Union

The credit union occupies an entire one-story building (approximately 2,480 square feet) on the north side of the Walla Walla campus along Avery Street. The Credit Union's five-year lease

expired in March 2005; however Team PwC assumes that this lease has been renewed and, therefore, is still in effect as of the publishing of this report. Walla Walla VA receives no payment for the lease other than a utilities pass-through.

Pacific Little League

The Pacific Little League uses the baseball fields east and down slope of Building 77 as outdoor recreational facilities. The Little League's five-year lease expired at the end of 2004; however, Team PwC assumes that this lease has been renewed and, therefore, is still in effect as of the publishing of this report. Walla Walla VA receives no payment for the lease other than a utilities pass-through.

Children's Museum of Walla Walla

The Children's Museum occupies an entire one-story building (approximately 2,000 square feet) on the north side of the Walla Walla campus near Avery Street. There is a year-to-year lease, and the Walla Walla VA receives a payment of $350 per month plus utilities.

Washington State Veterans Benefits Administration

The Washington State Veterans Benefits Administration occupies 580 square feet of space in Building 77 as an office. There is a year-to-year lease; however, there is no financial reimbursement for use of this space.

Real Estate Market and Re-Use Potential

Analysis of the re-use potential for the Walla Walla VAMC must consider the economic environment in City of Walla Walla and Walla Walla County. The findings that follow summarize the demographic, economic and site variables that typically drive demand from the various real estate sectors and highlight the implications for the Walla Walla VAMC campus.

Commercial Office

Office use employment in the Walla Walla County area is growing, but is still minimal in numbers. Since 1990, annualized growth has averaged only 107 employees. Projections of employment growth in the region indicate a demand for 60,000 SF to 96,000 SF of commercial office space over the coming ten-year period.

The commercial office market in Walla Walla is not large and appears to be concentrated in and around the downtown financial and government core of the City. While there is not a complete compilation of office space statistics, the total is currently less than 600,000 SF. Due to its location and distance from the downtown area, the VA campus does not appear to be a good candidate for commercial office uses.

Residential

Since 1990, Walla Walla County has recorded new residential development occurring at a rate of 226 permits per year. At the same time, the county has added approximately 586 new residents annually, indicating a shortage of housing opportunities.

Housing aimed at the "affordable" market is in limited supply in Walla Walla. This is due to several factors including the City's Urban Growth Boundary, the recent influx of "equity migrants" from more expensive urban areas who are driving demand for higher-end homes, and political pressure against higher density housing near some established single-family neighborhoods.

The VA campus site appears to be an ideal choice for a mix of for-sale and rental residential product, especially at densities that would allow for more affordable mid-range pricing. Challenges will relate to questions of zoning, allowable densities and adjacency concerns (especially at the eastern entrance to the campus). Site access and security are also relevant issues, particularly for re-use options that include a new hospital on the existing site. As the property is currently zoned PR (Public Reserve), a zoning change would be needed to support any type of residential development.

A mixture of residential development could be suitable for at least two areas of the campus. The eastern entrance, currently occupied by a football field, is a good location for rental apartments located on ground-leased land. The northern entrance to the campus off Poplar Street would be ideal for townhouse / condominium developments particularly if adjacent to a retail center (see retail section below). This type of development implies disposition of this section of the campus.

Senior Housing

A specialized form of residential product is senior housing, which can consist of a range of product types from independent living units, which are essentially age-restricted apartments with little or no care provided to skilled nursing facilities that provide a significant level of care to residents. The most common model developed today is known as a continuing care retirement community, which is a facility that provides a range of healthcare options so that residents can "age in place".

The senior-age population in and around Walla Walla is gradually increasing. In 1990, Walla Walla's population of seniors (age 65 and older) comprised 15.7% of the total population. Projections to the year 2015 show this age group growing to comprise 17.5% of the county's population base, a net gain of more than 2,200 persons.

The VA campus offers a good location for a sizable number of units targeting a varying elderly population. The central portion of the campus surrounding the parade grounds would provide a significant open space amenity if some of the existing buildings could be renovated into living units. Additionally, the area immediately to the north of the central campus area is an ideal location for the development of senior independent living housing units.

As with the development of non-senior-oriented housing, the challenges will relate to questions of zoning and allowable densities. Site access and security are also relevant issues. As the property is currently zoned PR (Public Reserve), a zoning change would be needed to support any type of residential development. Additionally, there are four buildings located in the proposed development area that are part of the campus's inventory of buildings included on the

National Register of Historic Places. Issues of allowable levels of adaptive re-use and removal of obsolete structures need to be confirmed with the State of Washington before development could commence.

Retail

The City of Walla Walla is the regional retail center of the county, capturing nearly 81% of all retail sales as of 2004. Recently major retailers such as Target, TGI Friday, and Rite-Aid have been searching for development sites in Class B markets, such as Walla Walla.

Population growth and recapturing of sales leakage currently going to stores outside the City of Walla Walla will support up to 150,000 square feet of new space. This is a conservative estimate as Walla Walla's growing tourist market may provide additional demand in the near future. The northern entrance to the Walla Walla VAMC lies adjacent to an existing 12-screen multiplex movie theater that is situated by itself off Poplar Drive. This provides a good opportunity to capitalize on the main movie theater complex in town to provide complementary retail and restaurant space of perhaps 40,000 to 50,000 square feet. As indicated above, a retail development of this type would also find support from surrounding residential development. It is suggested that for-sale condominium units be built to the west of the retail development. The for-sale nature of the residential units would necessitate sale of the site rather than ground lease.

Re-Use Potential

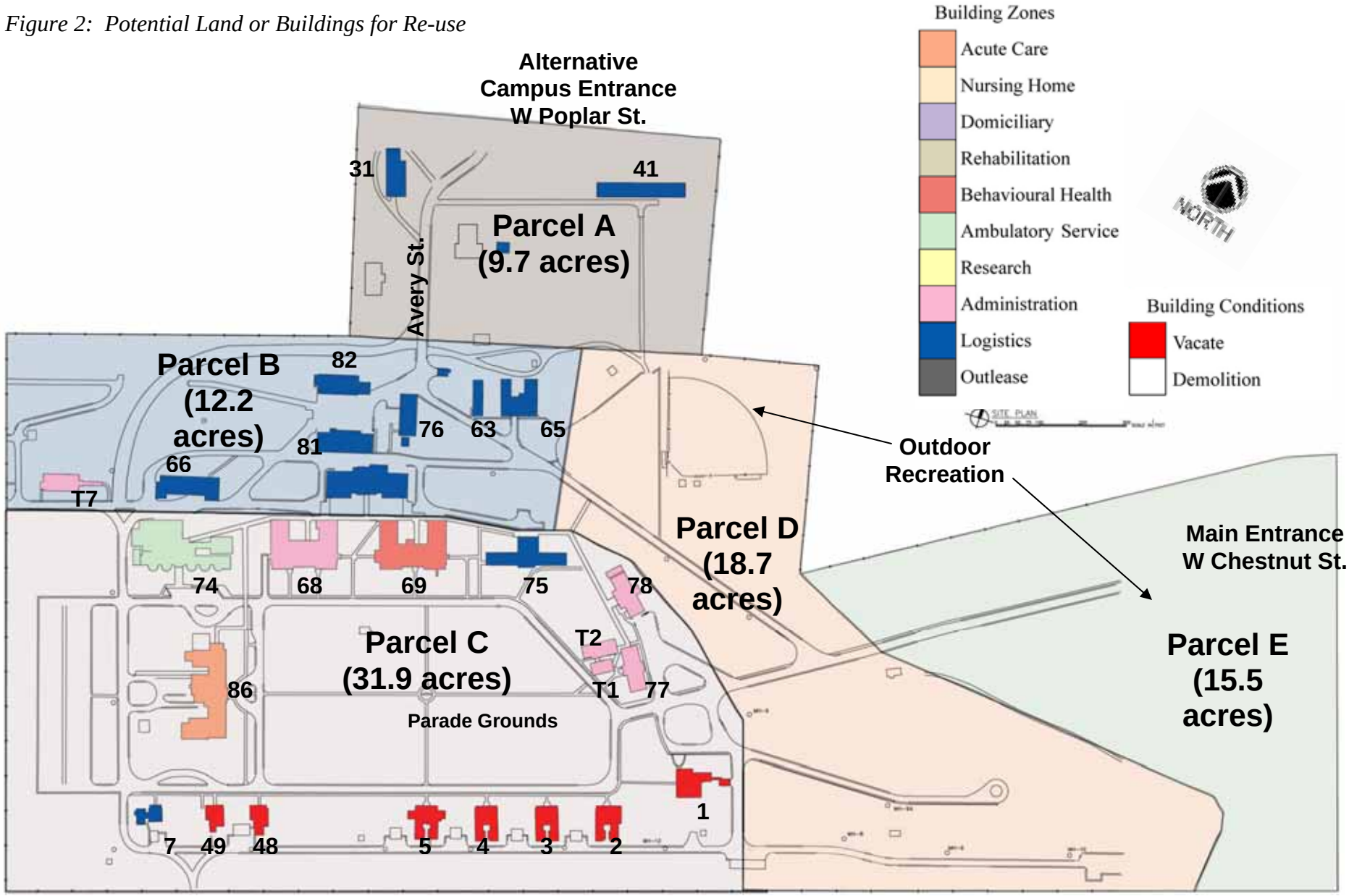
Portions of the Walla Walla campus have been evaluated for re-use potential. The Walla Walla VAMC site is terraced into two large distinct sections, with the entire campus ranging from level to rolling with some areas gently sloping generally in the center of the property near the intersection of West Chestnut Street (main entry to the campus, bisecting the campus from the east) and Wainwright Drive (loop drive on west). While the land is not located in any flood plains, this main slope along the center of the campus may impact re-use potential.

The parcels and their potential re-uses (see Figure 2) can be summarized as follows:

Table 5: Re-use Parcels and Descriptions

Parcel	Description
Parcel A	9.7 acres on the north edge of the campus (along Poplar Road). Potential Re-Use: small retail/restaurant (adjacent to theatre); for-sale townhouse-style residences.
Parcel B	12.2 acres on the west corner of the campus. Potential Re-Use: senior independent living apartment in village setting with associated parking.
Parcel C	31.9 acres on the southwest corner of the campus (main parade ground). Potential Re-Use: continuing-care retirement community/senior-oriented housing (adaptive re-use of Buildings. 68 and 69); open space (current parade grounds).
Parcel D	18.7 acres in the central-east portion of the campus. Potential Re-Use: recreation and open space (for community use).
Parcel E	15.5 acres on the east corner of the campus. Potential Re-Use (if not preserved for VA use): market-rate apartment units in village setting (20 units/acre) with associated parking.
All Campus	Parcels A, B, C, D, E as related uses apply.

Figure 2: Potential Land or Buildings for Re-use



Analysis of re-use potential for the Walla Walla VAMC indicates that it is reasonably well located for a variety of re-use plans; however, the current real estate market condition reveals that it would require a significant period of time to market the property. Further, there are not likely to be prospects for the hospital building (Building 86) as-is, and the cost of demolition is expected to exceed the revenues that re-use could generate. Demolition costs for historic or historic-eligible buildings could lead to a decision not to demolish any of the existing buildings.

Therefore, re-use is not a determining factor in evaluating business plan options. However, this would not preclude VA from attempting to generate income from excess property once the final decision has been made.

4.0 Overview of Healthcare Demand and Trends

Veteran enrollment and utilization for healthcare services was projected for 20 years, using 2003 data as supplied by VA as the base year and projecting through 2023. Projected utilization data is based upon market demand allocated to the Walla Walla VAMC. The following section describes these long term trends for veteran enrollment and utilization for healthcare services at Walla Walla VAMC.

Enrollment Trends

Overall, the City of Walla Walla has an approximate total population of 35,000. Several of the counties within the Inland North market area are quite rural and sparsely populated. All counties are designated as Health Care Professional Shortage areas. The City of Yakima is the only designated urban city in the primary service area, and according to the city's website, has a population of 73, 040 (2000 census). The combined population of the Tri-Cities area is approximately 150,000 (comprised of the cities of Richland, Pasco and Kennewick) and is considered urban.

Walla Walla VAMC is located in the Inland North market of VISN 20. The Inland North market is comprised of approximately 47,000 enrolled veterans. Overall, the number of enrolled veterans for the Inland North market is expected to decline 11% to approximately 42,000 enrolled veterans by 2023. Enrollment projections for the market differ by priority group. Enrollment of Priority 1-6 veterans (those veterans with the greatest service-connected needs) is projected to increase by 10% by 2023, while enrollment for Priority 7-8 veterans is projected to decrease by 74% for the same period (see Table 6). The enrollment forecast for Priority 7-8 veterans assumes an annual enrollment fee, and the continued freeze on new P8 enrollment.

Table 6: Projected Veteran Enrollment for the Inland North Market by Priority Group

Priority Group	Enrolled 2003	Projected 2013	% Change (2003 to 2013)	Projected 2023	% Change (2003 to 2023)
Priority 1-6	35,086	41,637	19%	38,656	10%
Priority 7-8	11,807	4,099	-65%	3,098	-74%
Total	**46,893**	**45,736**	**-2%**	**41,754**	**-11%**

Utilization Trends

Utilization was analyzed for those CARES Implementation Categories (CICs) for which Walla Walla VAMC has projected demand. A summary of utilization data is provided for each CIC in the following tables. 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. As demonstrated in Table 7, inpatient bed need is projected to increase by 15% by 2023, from a total of 66 beds in 2003 to 76 beds in 2023. Outpatient clinic stops (including radiology and pathology) are expected to increase by 51% by 2023.

Table 7: Inpatient and Outpatient Utilization Summary

Walla Walla	2003 Actual	2013 Projected	2023 Projected	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Total Inpatient Beds	58	66	70	14%	9%	21%
Total Clinic Stops[6]	82,573	122,658	121,901	49%	-1%	48%

The demand for inpatient services (acute and long term) varies by CIC (see Table 8). Demand for other mental health beds increases by 60% (12 beds) over the next 20 years, while demand for medicine and observation beds remains relatively flat (increases by one bed) over the same period. Due to a VA planning decision, nursing home bed requirements will remain constant throughout the 20-year forecast period. Domiciliary utilization is also expected to remain flat over the projection period at Walla Walla.

Table 8: Projected Utilization for Inpatient CICs for Walla Walla VAMC[7]

CIC	2003 Actual Beds	2013 Beds Modeled	2023 Beds Modeled	% Change (2003 to 2013)	% Change (2013-2023)	% Change (2003 to 2023)
Medicine and Observation	5	6	6	20%	0%	20%
Psychiatry & Substance Abuse	3	3	2	0%	-33%	-33%
Other Mental Health	20	27	32	35%	19%	60%
Nursing Home	24	24	24	0	0	0
Domiciliary	6	6	6	0	0	0
Total	**58**	**66**	**70**	**14%**	**6%**	**21%**

The majority of ambulatory utilization (not including diagnostics) is due to primary care (see Table 9). Specialty areas such as cardiology, orthopedics, and urology show significant increases in utilization; however, there are decreases in demand for primary care and eye clinic services. Due to a VA planning decision, rehab medicine utilization is held constant over the 20-year time horizon.

[6] Includes radiology and pathology services.

[7] Actual bed numbers provided by VA Central Office.

Table 9: Projected Utilization for Ambulatory CICs for Walla Walla VAMC

CIC	2003 Actual Stops	2013 Projected Stops	2023 Projected Stops	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Cardiology	1,838	5,297	5,206	188%	-2%	183%
Eye Clinic	3,286	2,884	2,973	-12%	3%	-10%
Non-Surgical Specialties	3,377	4,934	4,902	46%	-1%	45%
Orthopedics	521	1,081	1,069	107%	-1%	105%
Primary Care & Related Specialties	18,552	19,392	17,988	5%	-7%	-3%
Rehab Medicine	4,702	4,702	4,702	NA	NA	NA
Surgical & Related Specialties	4,695	4,064	4,009	-13%	-1%	-15%
Urology	1,188	2,253	2,360	90%	5%	99%
Total	**38,159**	**44,607**	**43,209**	**17%**	**-3%**	**13%**

Expected demand for outpatient mental health services (Table 10) shows an upward trend in 2013 followed by a decline in 2023 that remains above 2003 values (see Table 10). There is projected to be a sizeable growth in the work therapy program volume with a greater than 370% increase between 2003 and 2023.

Table 10: Projected Utilization for Outpatient Mental Health CICs for Walla Walla

CIC	2003 Actual Stops	2013 Projected Stops	2023 Projected Stops	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Behavioral Health	10,619	16,943	18,150	60%	7%	71%
Mental Health Program: Day Treatment	42	0	0	NA	NA	NA
Mental Health Program: Homeless	883	1,535	1,319	74%	-14%	49%
Mental Health Program: Work Therapy	1,542	9,141	7,263	493%	-21%	371%
Total	**13,086**	**27,619**	**26,732**	**111%**	**-3%**	**104%**

In summary, the analysis of the projected enrollment and utilization data highlights several opportunities and challenges for Walla Walla VAMC. Opportunities exist to address the market need for inpatient services such as mental health. There are also unmet market needs in outpatient areas such as behavioral health, cardiology, orthopedics and urology. However, Walla Walla faces challenges in maintaining an acute care (medicine/observation and psychiatry/ substance abuse) bed presence with limited demand assigned to Walla Walla's campus. The significant base of volume and growth in ambulatory care and outpatient mental health programs prove a need for acute clinical services through the Walla Walla VAMC. In addition, given the size of the veteran population in Walla Walla and its primary service area coupled with the overall size of the Inland North market, it is likely that this VAMC will be confronted with challenges facing many small rural hospitals in America, the ability to deliver on its mission while operating in a cost effective manner and recruiting and retaining talented staff.

The space requirements to deliver the projected volume of healthcare services in a modern, safe, and secure environment were calculated using Team PwC's capital planning methodology. The Walla Walla VAMC currently has enough space to accommodate the utilization for inpatient and ambulatory services projected through 2023, with the exception of outpatient mental health. BPOs will consider current clinical inventory and the impacts of changes in demand on the space requirements for these services.

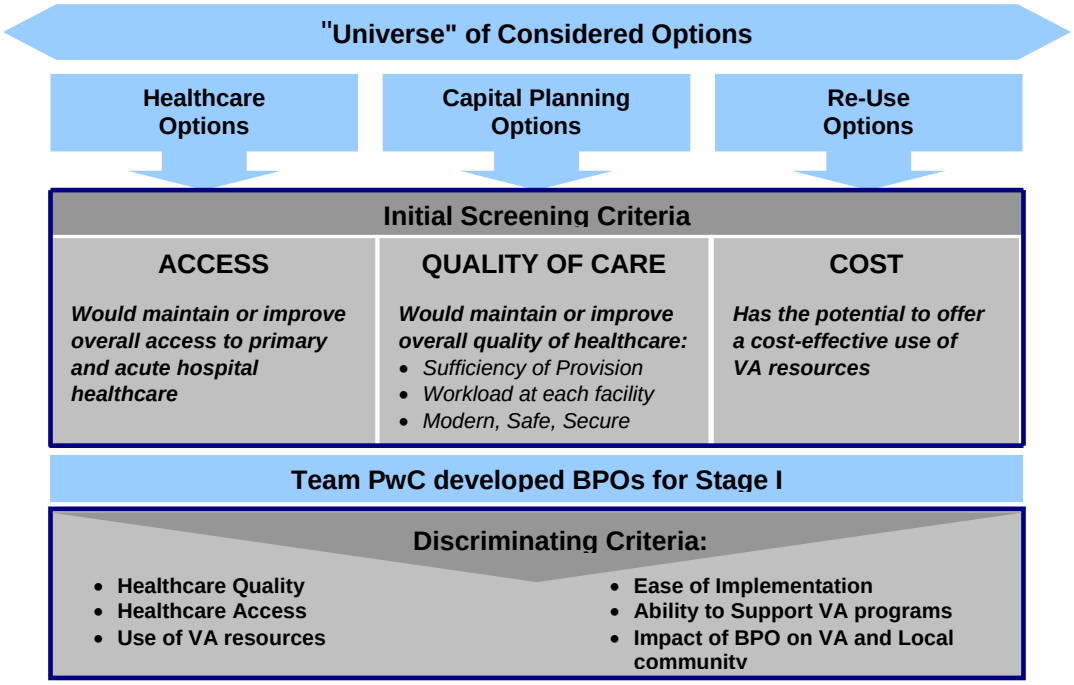
5.0 Business Plan Option Development Approach

Options Development Process

Using VA furnished information, site tours and interviews, as well as stakeholder and LAP member input, Team PwC developed a broad range of discrete and credible healthcare and capital planning options and associated re-use plans. Each healthcare and capital planning option that passed the initial screening served as potential components of BPOs. A review panel of experienced Team PwC consultants, including medical practitioners, capital planners, and real estate advisors considered the assessment results and recommended the BPOs. Each of the BPOs was then assessed at a more detailed level according to a set of discriminating criteria.

The following diagram illustrates the complete options development process:

Figure 3: Options Development Process



Initial Screening Criteria

Discrete healthcare and capital options were developed for the Walla Walla VAMC 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 primary and acute hospital healthcare* – During Stage I, primary care access is evaluated using VA's Primary Care Access Tool and a base year of 2001. If an option resulted in a change in location for primary care, the new location would be evaluated using the Primary Care Access Tool. Acute Care access was evaluated using data provided by VA using its ArcView Tool to recalculate the new location's impact on access.

- **Quality of Care:** *Would maintain or improve the overall quality[8] of healthcare* – This is assessed by consideration of the site's ability to provide services and the level of workload at any facility compared to utilization thresholds. Quality concerns may also occur if it is assumed that VA would contract with a non-VA provider for specific services but 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. An option would pass the quality test only in cases when a compelling reason could be identified to assert that services would be provided.

  Additionally, the following was included as part of the quality measure:

  - **Modern, Safe, Secure**: *Would result in a modernized, safe healthcare delivery environment that is compliant with existing laws, regulations, and VA requirements* – This was assessed by consideration of the physical environment proposed in the option and any material weaknesses identified in VA's space and functional surveys, facilities' condition assessments, and seismic assessments for existing facilities, and application of a similar process to any alternative facilities proposed.

  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 used to further narrow the broad range of options to be assessed in Stage I. A separate study of the impact on continuity of care for each of the options will be conducted in the Stage II assessments of the 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. A 30-year planning period was used in the cost effectiveness analysis. Any option that did not have the potential to provide a cost effective physical and operational configuration of VA resources as compared to the baseline[9] failed this test.

[8] Quality includes clinical proficiency across the spectrum of care, safe environment, and appropriate facilities.

[9] Baseline describes the current state applying utilization projected out to 2023, without any changes to facilities, programs, or locations. Baseline assumes same or better quality, and accounts for any necessary maintenance for a modern, safe, and secure healthcare environment.

All identified options were screened against these criteria. If an option failed the initial access test, then no other tests were applied. Those passing the access test were then further screened against quality and cost. Screening was halted when the option failed to meet one of the initial screening criteria.

Discriminating Criteria

After passing the initial screening, BPOs were developed and the following discriminating criteria were applied to assess the overall attractiveness of the BPO.

- **Healthcare Quality** – These criteria 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 assess how the BPO impacts the percentage of the patients meeting access guidelines by describing the current percentage and the expected percentage of patients meeting this guideline.

- **Impact on VA and Local Community** – These criteria assess the impact on staffing, as well as research and clinical education programs.

- **Making Best Use of VA Resources** – These criteria assess the cost effectiveness of the physical and operational configuration of the BPO over a 30-year planning horizon. Costs were assessed at an "order of magnitude" level of analysis in Stage I. Detailed costing will be conducted in Stage II. These criteria include:
    - Operating Cost Effectiveness: The ability of the BPO to provide recurring/operating cost increases or savings as compared to the baseline.
    - Level of Capital Expenditures: The amount of investment required relevant to the baseline based on results of initial capital planning estimates.
    - Level of Re-use Proceeds: The amount of re-use proceeds and/or demolition/clean-up cost based on results of the initial re-use study.
    - Cost Avoidance: The ability to obtain savings in necessary capital investment as compared to the baseline BPO.
    - Overall Cost Effectiveness: The initial estimate of net present cost as compared to the baseline.

- **Ease of Implementation** – These criteria assess the risk of implementation associated with each BPO. The following major risk areas were considered:

- Reputation
- Continuity of Care
- Organization & Change
- Legal & Contractual
- Compliance
- Security
- Political
- Infrastructure
- Financial
- Technology
- Project Realization

- **Ability to Support Wider VA programs** – These criteria 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.

Operational Costs

The objective of the cost analysis in Stage I is to support the comparison of the estimated cost effectiveness of the current state with each BPO. The Study Methodology calls for an "order of magnitude" level of analysis in Stage I and detailed costing in Stage II. The total estimated costs include operating costs, initial capital costs, re-use opportunities, and any cost avoidances. The operating costs for the baseline and each BPO are a key input to the financial analysis for Stage II. Operating costs considered for the Stage I 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 VA. The 2004 costs were obtained from the Decision Support System (DSS), VA's official cost accounting system. This information was selected for use because 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 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 a variable direct cost.

- 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 VA's existing indirect cost allocation process. Examples of indirect costs include utilities, maintenance, and administration costs.

FY 2004 operating costs from DSS were deflated to FY 2003 dollars to create the costs for FY 2003 which is the base date for current cost comparison. These costs (fixed and variable) 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 VA for non-VA care. These are based on VA's actual expenses and are used in the BPOs where care is contracted.

These costs are used together with initial capital investment estimates as the basis for both the baseline option and each BPO with adjustments made to reflect the impact of implementation of the capital option being considered. Potential re-use proceeds are added to provide an overall indication of the cost of each BPO.

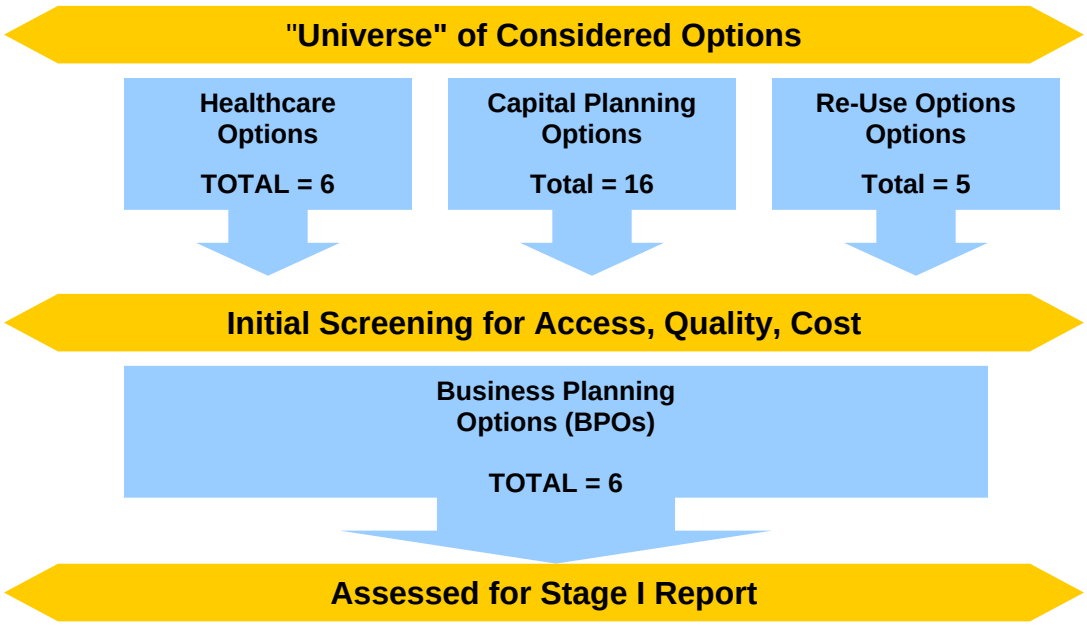
Summary of Business Plan Options

The individual healthcare, capital planning, and re-use options that passed the initial screening were further considered as options to comprise a BPO. A BPO is defined as consisting of a single healthcare option, combined with at least one associated capital planning option and re-use parcel. Therefore, the formula for a BPO is:

BPO = Healthcare option + Capital Planning option + Re-use parcel(s)

The following diagram illustrates the final screening results of all options given consideration:

Figure 4: Final Screening Results of Options



Options Not Selected for Assessment

Several of the options created during the option development process did not pass the initial screening criteria. The following table lists those options that either did not pass the initial screening criteria or were deemed inferior to other options that did pass the initial screening. Table 11 details the results of the initial screening and the reasons why these options were not selected.

Table 11: Options Not Selected for Assessment

Option Description	Reason(s) Not Selected
1 option to renovate existing *leased* CBOC space in the Tri-Cities (Richland)	• Existing facility does not have capacity for projected clinical workload
1 option to renovate inpatient medicine and observation beds	• Renovation of existing facility (Building 86) would not meet VA standards for construction or for clinical care
1 option to renovate nursing home beds	• Renovation of existing facility (Building 86) would not meet VA standards for construction or for clinical care • Did not meet VA construction standards (minimum beds) for freestanding nursing home facility
3 options to rebuild inpatient medicine and observation beds	• Did not have inpatient capability for quality care
3 options to build freestanding nursing home unit	• Did not have inpatient capability for quality care

Baseline BPO

Based upon Team PwC's methodology, the baseline BPO advances in the Stage I process. The baseline is the BPO under which there would not be significant change in either the location or type of services provided in the study site. In the baseline BPO, the Secretary's Decision and forecasted healthcare demand and trends from the demand forecast for 2023 are applied to the current healthcare provision solution for the study site. Additionally, capital improvements required to meet modern, safe, and secure standards are factored into the current state assessment to develop this BPO.

Specifically, the baseline BPO is characterized by the following:

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

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. The results of the BPO assessment and the Team PwC recommendation are provided in subsequent sections.

Table 12: Evaluation System Used to Compare BPOs to baseline BPO

Ratings to assess Access, Quality, Local Community, and Ability to Support VA Programs	
↑	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 same 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 expenditures estimated	
↓↓↓↓	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 the baseline (+/- 20% of baseline)
↑↑	Higher level of re-use proceeds compared to the baseline (e.g., 1-2 times)
↑↑↑	Significantly higher level of re-use proceeds compared to the 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 compared to the baseline BPO
↑↑↑↑	Very significant savings in essential capital investment compared the baseline BPO
Overall cost effectiveness (based on initial net present cost 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)
Ease of Implementation of the BPO	
↑	The BPO has the potential to provide a slightly improved state than the baseline BPO based upon the level of impact and likelihood of occurrence of risks to its implementation plan.
↔	The BPO has the potential to provide materially the state of the baseline based upon the level of impact and likelihood of occurrence of risks to its implementation plan.
↓	The BPO has the potential to provide a slightly lower or reduced state than the baseline BPO based upon the level of impact and likelihood of occurrence of risks to its implementation plan.
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 appears 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

Stakeholder Input: Purpose and Methods

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

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

The LAP is required to hold at least four public meetings at which stakeholders would have an opportunity to present testimony and comment on the work performed by Team PwC and the deliberations of the LAP.

Team PwC also devised methods for stakeholders to communicate their views without presenting testimony at the LAP meetings. Throughout Stage I, a comment form was available electronically via the CARES website and in paper form at the first LAP public meeting. In addition, stakeholders were advised that they could submit any written comments or proposals to a central mailing address, and a number of stakeholders used this method as well.

The time in which stakeholder input was collected during Stage I can be divided into two input periods – Input Period One and Input Period Two. The intent of Input Period One was to collect general stakeholder input to assist in the development of potential BPOs, while Input Period Two allowed stakeholders to comment on the specific BPOs presented at the public LAP meeting. Input Period One started in April 2005 and ended on the day that the comment form with specific BPOs was available for public comment on the CARES website. For both periods, stakeholder input was reviewed and categorized into nine categories of concern which are summarized in the table below.

For Input Period Two, stakeholders were provided with a brief description of the BPOs and asked to indicate whether they favored the option, were neutral about the option, or did not favor the option. Ten days after the second LAP meeting was held, Team PwC summarized all of the stakeholder views that were received during Input Period Two, and this information is included in this report.

Table 13: Definitions of Categories of Stakeholder Concern

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.

Summarized stakeholder views were available to LAP members for their review and consideration when evaluating BPOs as well as in defining new BPOs.

Stakeholder Input to Business Plan Option Development

Approximately 100 members of the public attended the first LAP meeting held on May 4, 2005 at the Walla Walla VAMC. Approximately 150 members of the public attending the second LAP meeting held on September 30, 2005 in Pendleton, OR. A total of 252 forms of stakeholder input (general comments on the study as well as specific BPOs) were received between April 20 and October 10, 2005. The concerns of stakeholders who submitted general comments not related to specific BPOs are summarized in the following table:

Table 14: Analysis of Stakeholder Concerns (Periods One and Two)

Key Concern	Number of Comments[10]		
	Oral	Written and Electronic	**Total**
Effect on Access	10	13	**23**
Maintain Current Service/ Facility	23	24	**47**
Support for Veterans	13	38	**51**
Effect on Healthcare Services and Providers	14	26	**40**
Effect on Local Economy	2	8	**10**
Use of Facility	19	24	**43**
Effect on Research and Education	5	11	**16**
Administration's Budget or Policies	3	11	**14**
Unrelated to the Study Objectives	12	16	**28**

[10] Totals reflect the number of times a key concern was expressed, and not the total of individuals who provided input.

BPO Proposals from Stakeholders

In addition to the many comments received from stakeholders on Walla Walla VAMC, Team PwC received one proposal for a BPO from the public. This was from the Jonathan M. Wainwright Memorial Veterans Affairs Medical Center Community Task Force, a special community commission tasked with exploring and proposing to VA solutions to delivering healthcare to veterans in the community.

The proposal from the Community Task Force recommended expansion of Walla Walla services and collaborative relationships with local providers. A specific "Task Force BPO" was not developed because this proposal's key elements are reflected in BPO 5, which were already developed by Team PwC and are discussed later in this report.

6.0 Business Plan Options

The option development process resulted in a multitude of discrete healthcare, capital, and re-use options, which were subsequently screened to determine whether a particular option had the potential to meet or exceed the CARES objectives (i.e., access, quality, and cost). Overall, there were six BPOs (comprising healthcare, capital, and re-use components) which passed initial screening and were developed for Stage I (see Figure 4).

Each BPO was assessed at a more detailed level according to the discriminating criteria. The BPOs reflect options related to provision of inpatient services through relocating services to the Tri-Cities market, contracting for care, and providing care at the Walla Walla VAMC, and consider the increased need for domiciliary and inpatient psychiatry care (see Table 15).

No additional BPOs were proposed by the LAP at the second LAP Public Meeting. However, an addendum was proposed by a LAP member and accepted by a consensus of the panel for inclusion on all BPOs recommended by the LAP to the Secretary for further study in Stage II. The addendum encourages the Secretary to consider potential re-use of the Walla Walla campus in conjunction with state and local governments, non-profit organizations and private business to develop housing for veterans. (The addendum's full text is posted on the VA CARES Walla Walla website with the LAP meeting presentations and summaries.)

At the LAP's direction, the addendum will be included with those specific BPOs recommended for further study by Team PwC.

Table15: Business Plan Options

BPO 1: Baseline
Current state projected out to 2013 and 2023 without any changes to facilities or programs, but accounting for projected utilization changes, and assuming same or better quality, and necessary maintenance for a modern, safe, and secure healthcare environment. Outpatient and limited inpatient medical care, including inpatient psychiatry and substance abuse, psychosocial residential rehabilitation treatment program (PRRTP), work therapy programs, and nursing home care are provided at Walla Walla VAMC. Inpatient surgery and some nursing home services are purchased from local community providers or referred to tertiary VAMCs. Existing surface parking is generally adequate and is dispersed around the campus next to each building, convenient for patients, visitors, and employees. There is no re-use in the baseline.
BPO 2: Contract All Inpatient and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus
Contract for inpatient medicine, psychiatry, PRRTP and nursing home care with regional and local providers or refer to other VAMCs. Expand ambulatory and outpatient mental health services at Walla Walla VAMC in new construction on Parcel E. This BPO will require new parking, but all will be on grade and contiguous to the new buildings. Parcels A, B, C, and D on the north, west, south and central-east portions of the campus would be available for potential retail, for-sale townhouse, senior independent living apartments, continuing-care retirement community housing, and community recreation/open space re-use.
BPO 3: Contract Inpatient Medicine and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health and Inpatient Mental Health on Vacant Land on Eastern Part of Campus
Contract for inpatient medicine and nursing home care services with regional and local providers. Expand ambulatory and outpatient mental health as well as inpatient psychiatry and substance abuse and PRRTP at Walla Walla VAMC in new construction. This BPO will require new parking, but all will be on grade and contiguous to the new and renovated buildings. Parcels A, B, C, and D on the north, west, south and central-east portions of the campus would be available for potential retail, for-sale townhouse, senior independent living apartments, continuing-care retirement community housing and community recreation/open space re-use.
BPO 4: Contract All Inpatient, Nursing Home, and Outpatient Care
Contract for all services and associated projected patient workload volumes with regional and local Walla Walla providers or refer to other VAMCs. Vacate the Walla Walla VAMC campus in a phased process and make the entire campus available for re-use. All parcels (Parcels A, B, C, D, and E) of the campus would be available for potential re-use as limited retail, for-sale townhouse, senior independent living apartments, continuing-care retirement community housing and community recreation/open space, and market-rate apartments a in village setting.
BPO 5: Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities on Vacant Land on Eastern Part of Campus
Construct new inpatient medicine, psychiatry, substance abuse, PRRTP program, nursing home care unit, ambulatory care, and outpatient mental health facilities in a consolidated location on Parcel E on the eastern part of the campus. This BPO will require new parking, but all will be on grade and contiguous to the new buildings. Once the new VAMC facilities are operational and existing facilities have been vacated of VA functions, Parcels A, B, C, and D on the north, west, south, and central-east portions of the campus would be available for potential retail, for-sale townhouse, senior independent living apartments, continuing-care retirement community housing and community recreation/open space re-use. An easement may be required through these parcels to ensure access by veteran-patients, staff and visitors to VAMC services on Parcel E.

BPO 6: Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities in Tri-Cities Area; Renovate Building 74 for Ambulatory Care and Outpatient Mental Health
Construct new inpatient medicine, psychiatry, substance abuse, PRRTP program, nursing home care unit, ambulatory care, and outpatient mental health facilities in the Tri-Cities area. Renovate Building 74 on the Walla Walla VAMC campus to provide ambulatory care and outpatient mental health programs on the Walla Walla campus as a CBOC. This BPO will require new parking, but all will be on grade and contiguous to the new and renovated buildings. Parcels A, B, D, and E, and a portion of Parcel C not used by VA in a renovated Building 74 and associated parking, would be available for potential re-use as limited retail, for-sale townhouse, senior independent living apartments, continuing-care retirement community housing and community recreation/open space, and market-rate apartments in a village setting. An easement is required to preserve access by veteran-patients, staff and visitors to the CBOC on Parcel C.
BPO 7: Contract Inpatient Medicine and Nursing Home Care; Construct New Facility in Tri-Cities Area for Inpatient Mental Health; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus
Contract with regional and local providers for inpatient and nursing home care or refer to other VAMCs. Construct new inpatient psychiatry/substance abuse and PRRTP in new facilities in Tri-Cities area. Ambulatory care and outpatient mental health will be retained at Walla Walla VAMC in a new CBOC to be constructed on Parcel E. Construction of new parking will be required, but all will be on grade and contiguous to the new buildings. Parcels A, B, C, and D on the north, west, south, and central-east portions of the campus would be available for potential retail, for-sale townhouse, senior independent living apartments, continuing-care retirement community housing and community recreation/open space re-use. An easement through these parcels may be required for VAMC services provided in new construction on Parcel E.

BPO Site Plans

Figure 5: BPO 2 (Contract All Inpatient and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus)

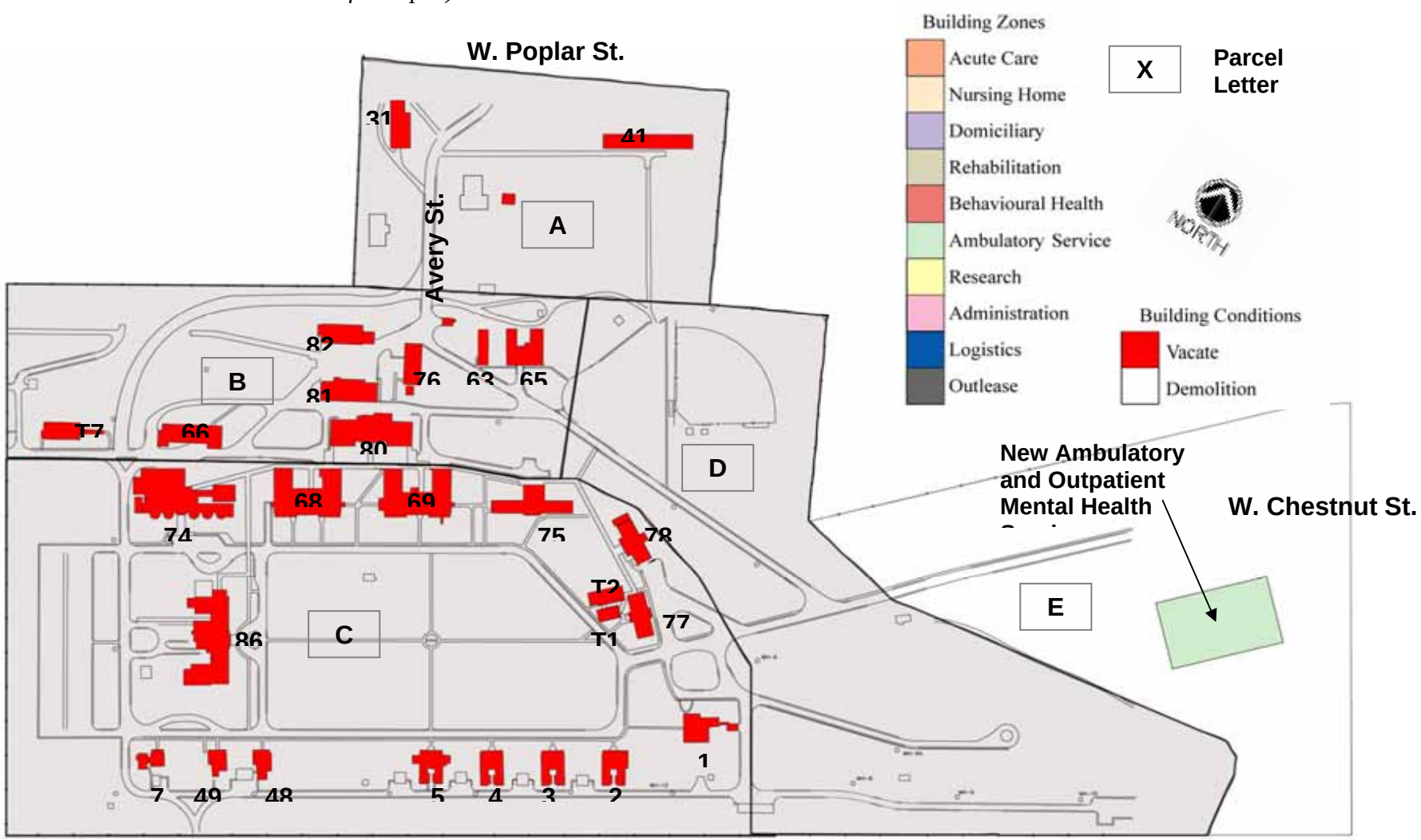


Figure 6: BPO 3 (Contract Inpatient Medicine and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health and Inpatient Mental Health on Vacant Land on Eastern Part of Campus)

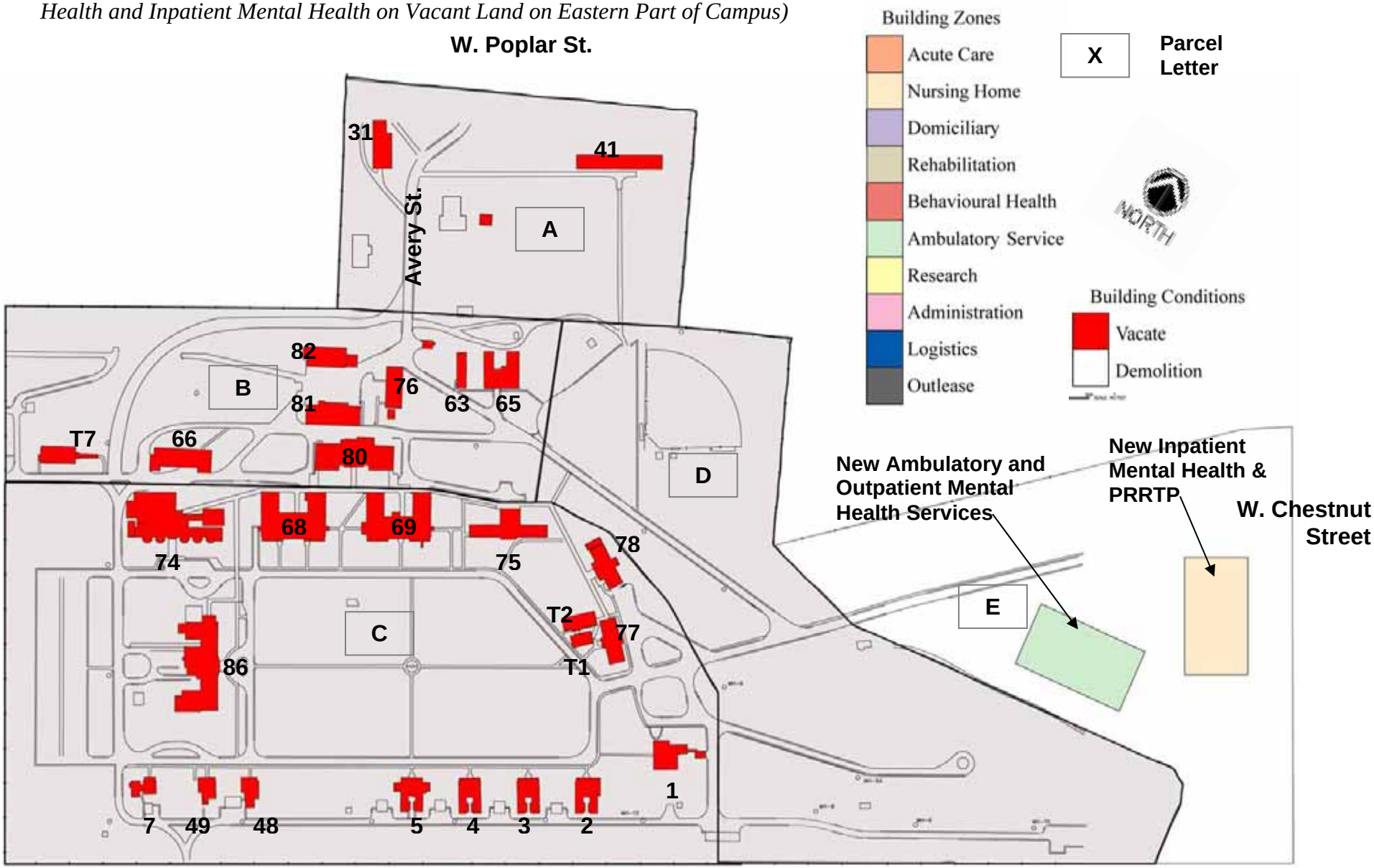


Figure 7: BPO 5 (Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities on Vacant Land on Eastern Part of Campus)

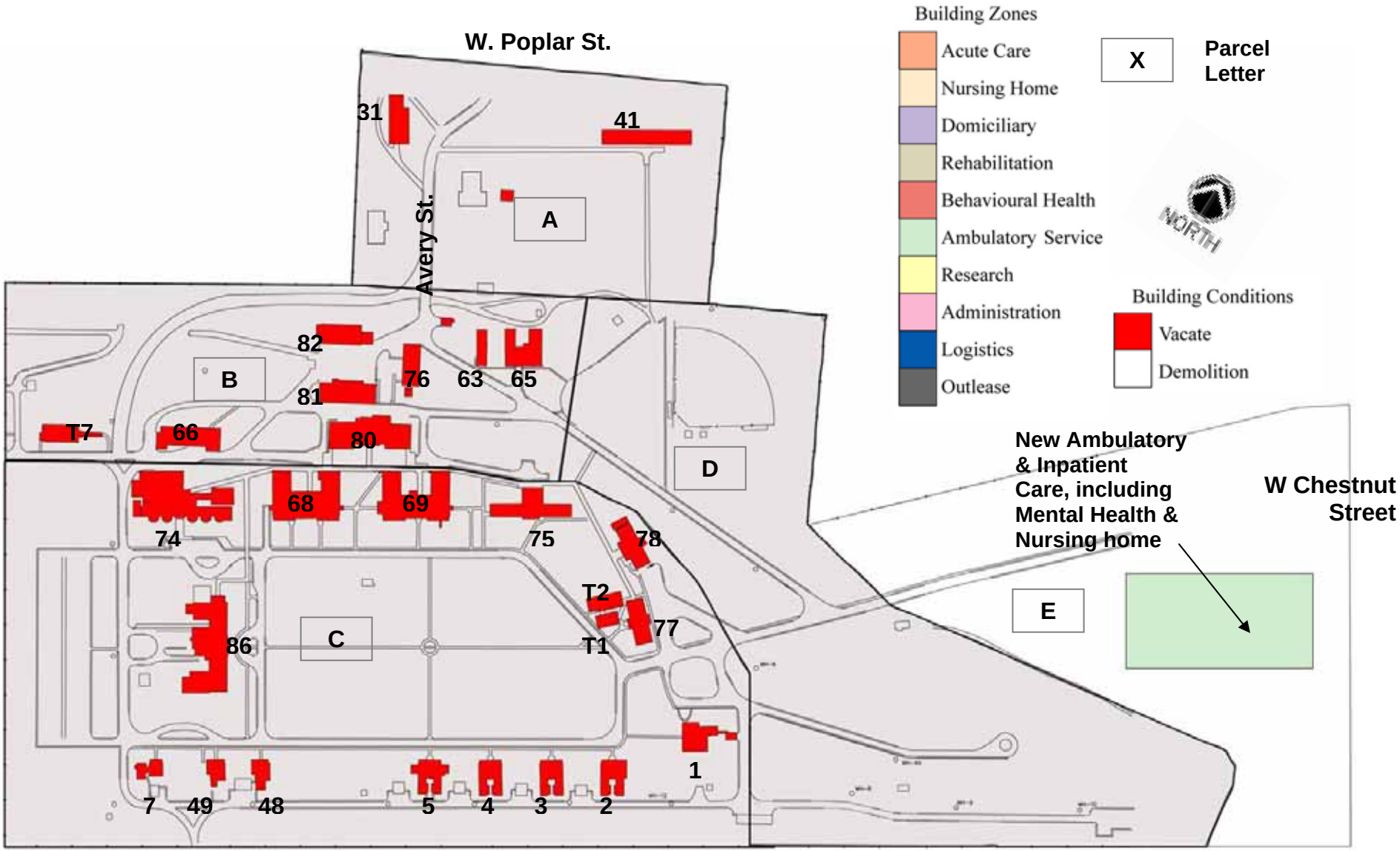


Figure 8: BPO 6 (Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities in Tri-Cities Area; Renovate Building 74 for CBOC)

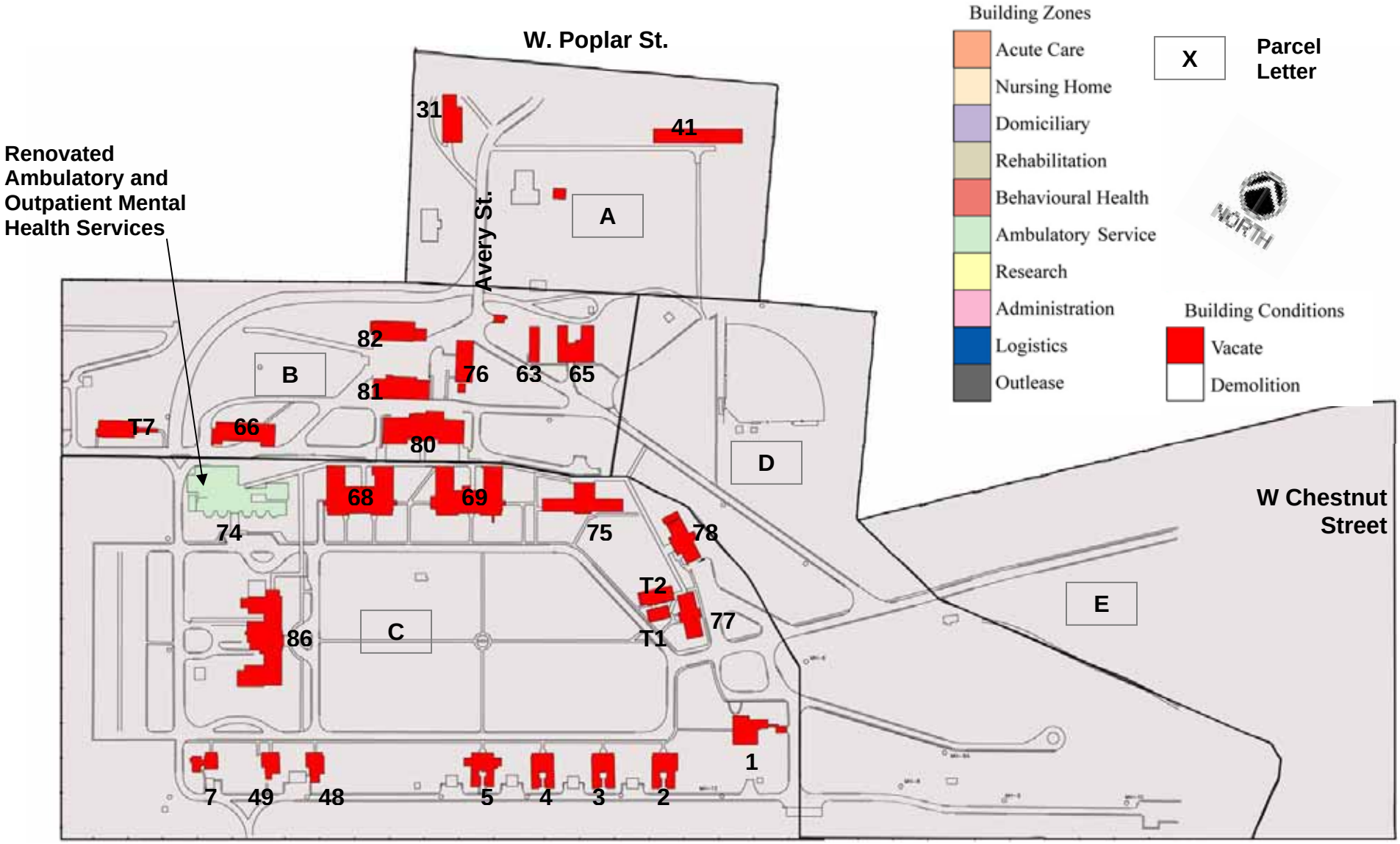
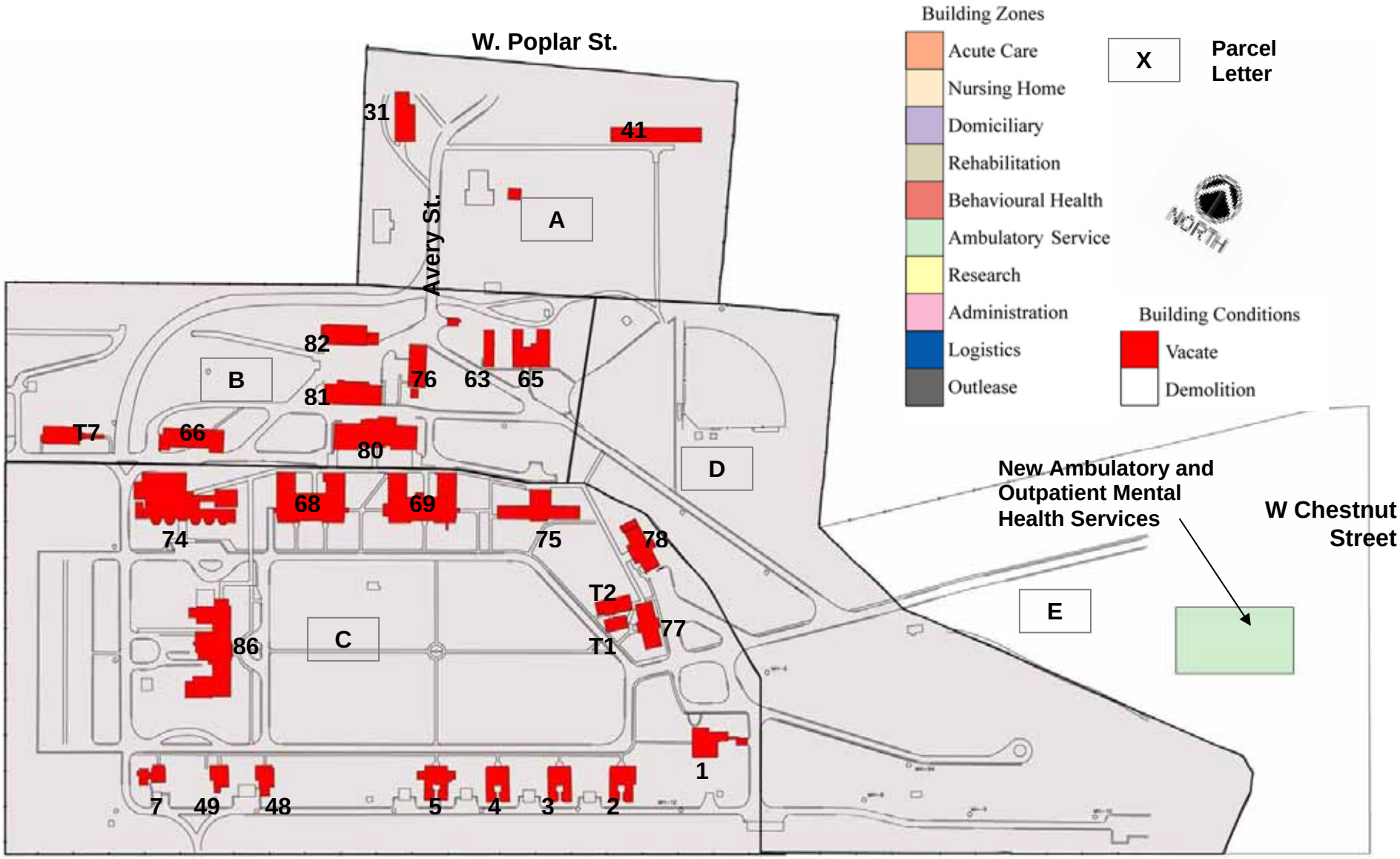


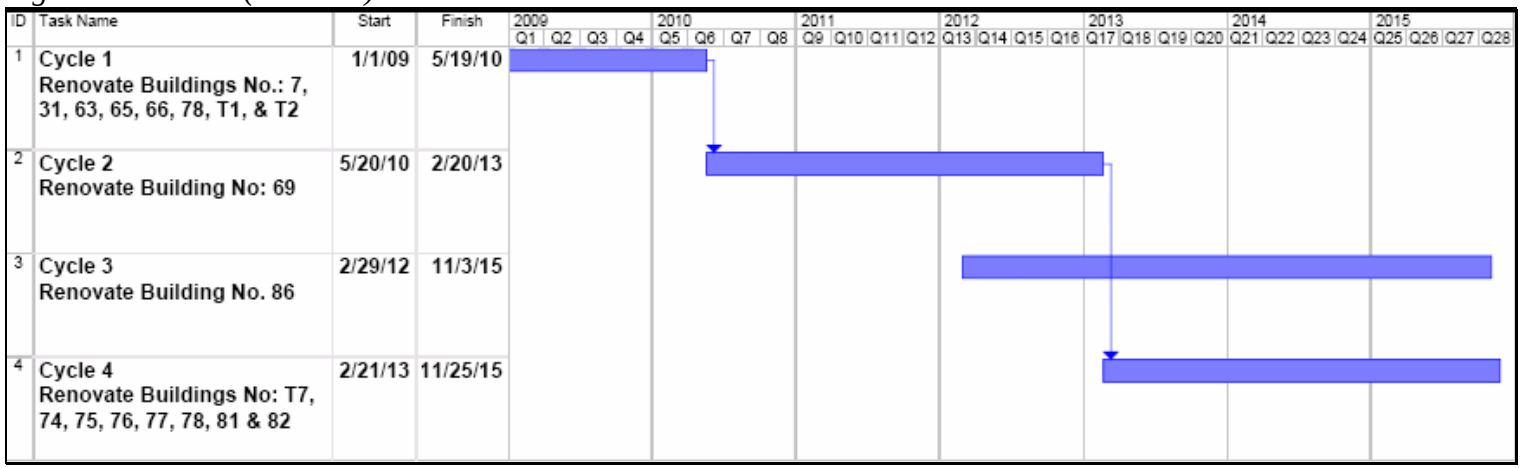
Figure 9: BPO 7 (Contract Inpatient Medicine and Nursing Home Care; Construct New Facility in Tri-Cities Area for Inpatient Mental Health; Construct New CBOC on Vacant Land on Eastern Part of Campus)



BPO Schedules

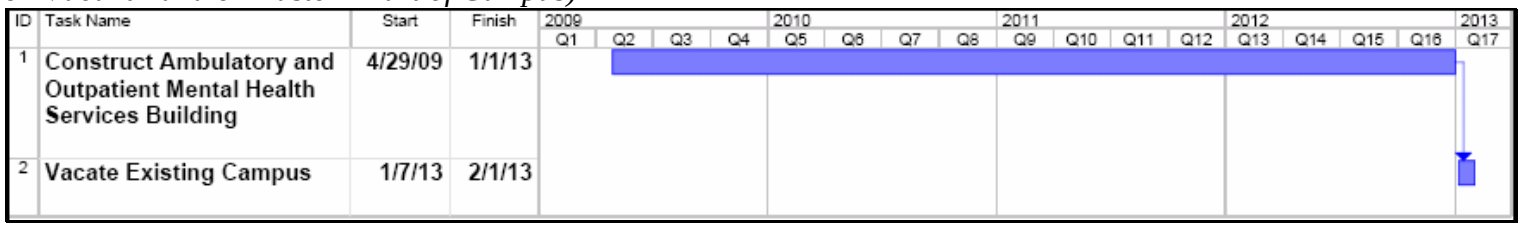
The following schedules were developed for the Baseline and alternate BPOs. All schedules are preliminary and tentative.

Figure 10: BPO 1 (Baseline)



ID	Task Name	Start	Finish
1	Cycle 1 Renovate Buildings No.: 7, 31, 63, 65, 66, 78, T1, & T2	1/1/09	5/19/10
2	Cycle 2 Renovate Building No: 69	5/20/10	2/20/13
3	Cycle 3 Renovate Building No. 86	2/29/12	11/3/15
4	Cycle 4 Renovate Buildings No: T7, 74, 75, 76, 77, 78, 81 & 82	2/21/13	11/25/15

Figure 11: BPO 2 (Contract All Inpatient and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus)



ID	Task Name	Start	Finish
1	Construct Ambulatory and Outpatient Mental Health Services Building	4/29/09	1/1/13
2	Vacate Existing Campus	1/7/13	2/1/13

Figure 12: : BPO 3 (Contract Inpatient Medicine and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health and Inpatient Mental Health on Vacant Land on Eastern Part of Campus)

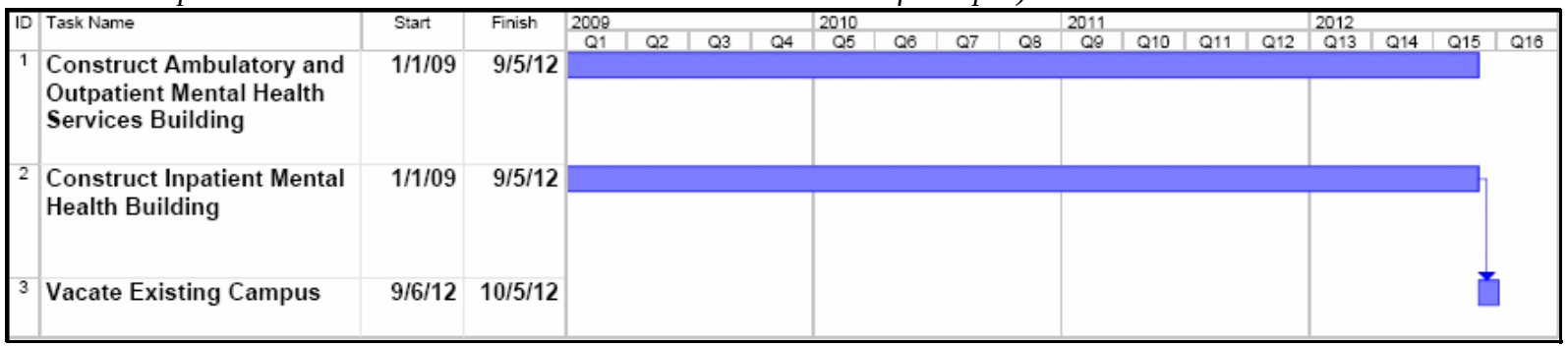


Figure 13: BPO 5 (Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities on Vacant Land on Eastern Part of Campus)

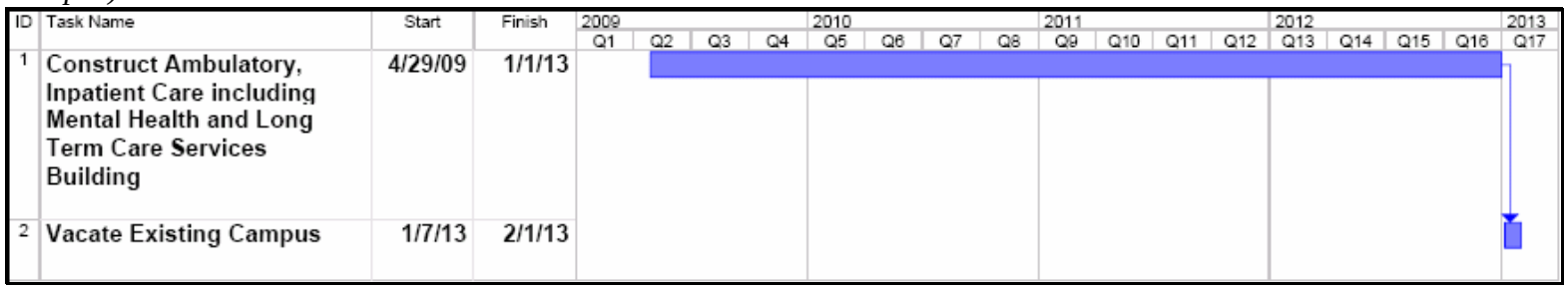


Figure 14: (Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities in Tri-Cities Area; Renovate Building 74 for CBOC)

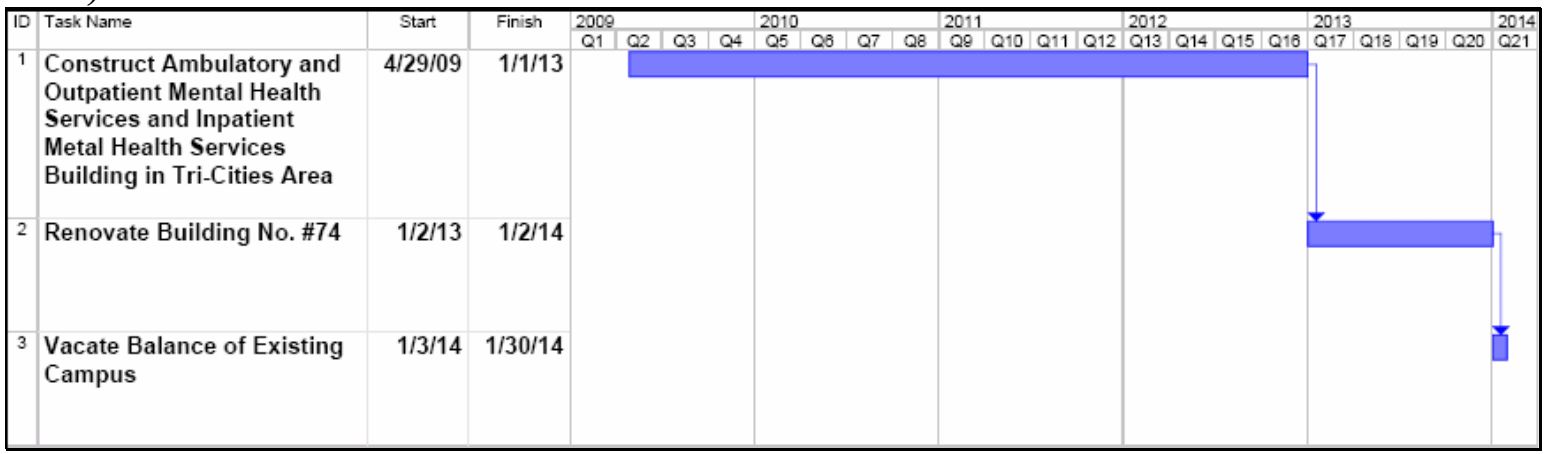
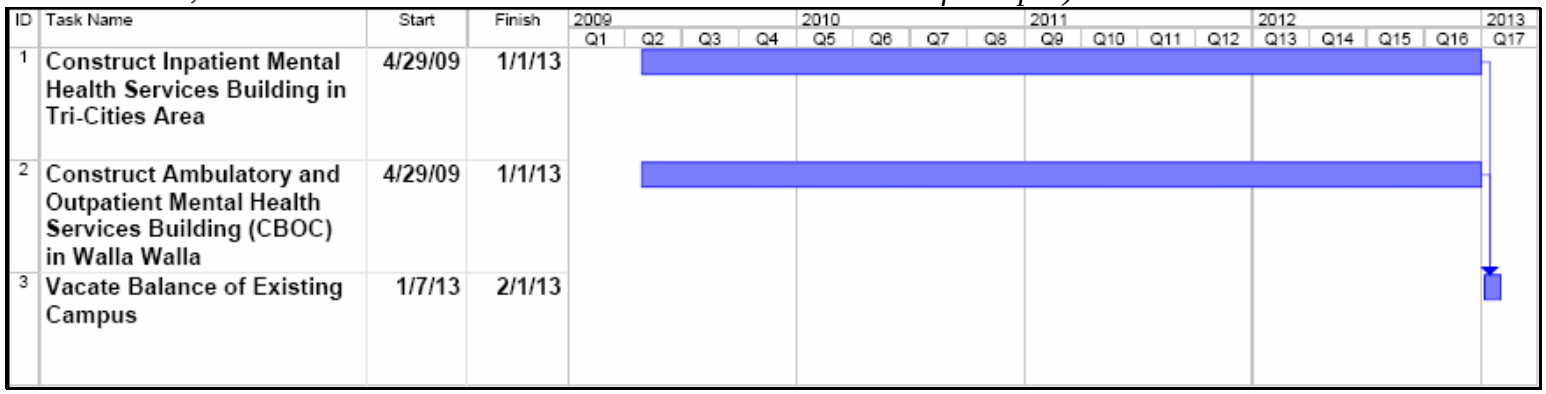


Figure 15: BPO 7 (Contract Inpatient Medicine and Nursing Home Care; Construct New Facility in Tri-Cities Area for Inpatient Mental Health; Construct New CBOC on Vacant Land on Eastern Part of Campus)



Assessment Drivers

As noted earlier, the number of enrolled veterans for Walla Walla's catchment area (Inland North market) is expected to decline 11% from 46,893 to approximately 41,754, however the number of Priority 1-6 veterans is projected to increase modestly (10%) by 2023. Projected utilization for inpatient services appears to vary over the next 20 years, which presents both opportunities and challenges. Specifically with regard to inpatient care:

- The projected number of medicine/observation and psychiatry/substance abuse beds remains relatively flat (plus or minus a bed each) on a very small base (six medicine/observation beds, three psychiatry/substance beds) over the projected 20-year period; PRRTP bed demand remains flat over the projection period at six beds.
- Other mental health inpatient programs and nursing home demand increases through 2013, and although demand then declines or remains flat (in the case of the nursing home), it still remains significantly higher than the current bed need.

There are unmet market needs in outpatient areas, given the projected 48% growth in total clinic stops for the Walla Walla VAMC from 2003 to 2023. Demand for urology, cardiology, behavioral health, work therapy, and orthopedics services is projected to increase over the ten-year projection period by more than 100%. However, Walla Walla faces challenges resulting from the projected decrease in primary and non-surgical specialty care utilization. In addition, given the size of the veteran population in Walla Walla and its primary service area coupled with the overall size of the Inland North market, it is likely that this VAMC will be confronted with challenges facing many small rural hospitals in America — the ability to deliver on its mission while operating an 88-acre campus in a cost-effective manner and recruiting and retaining talented staff.

These long-term healthcare trends for the VA's Inland North market, together with four major drivers were considered in developing BPOs for the Walla Walla site. These drivers represent factors particularly noticeable at the Walla Walla VAMC that must be balanced in the development and evaluation of business plan options. They are:

1). Although VA has improved access to primary care by opening outpatient clinics in population centers around the Walla Walla VAMC, there is still a substantial shortfall in the percentage of veterans who meet VA's drive time guidelines for primary, acute, and tertiary care.
2). The patient care buildings on the Walla Walla VAMC have been renovated in order to increase compliance with modern, safe, and secure standards, but it is not feasible to upgrade them to be in complete compliance with these standards.
3). As noted in the Secretary's Decision, the cost of maintaining an aging and expensive medical center campus for a small inpatient population should be carefully evaluated. The Walla Walla VAMC requires substantial upgrades to its mechanical, electrical and plumbing systems, as well as patient privacy upgrades and seismic retrofitting to its nursing units.
4) The Secretary's Decision also notes that there is the potential to partner with community and private sector organizations to provide much of the care currently

furnished at the Walla Walla VAMC while continuing to meet or even improve access and quality standards.

These four drivers are described further below.

Health Care Access - The Walla Walla VAMC is the parent facility for CBOCs or outpatient clinics in Richland and Yakima, Washington, and Lewiston, Idaho. However, the percentage of veterans who are able to drive to one of these facilities within the VA's drive time guidelines is significantly below the guideline threshold for primary care. The percentage of veterans who are able to obtain VA acute hospital care or tertiary care within VA's drive time guidelines is only slightly higher than the percentage who have access to primary care within VA's primary care drive time guidelines. Moreover, an analysis of patient origin data shows that current veteran users of the Walla Walla VAMC are most likely to reside in the Tri-Cities area.

Health Care Quality - Although patient care facilities at the Walla Walla VAMC have been renovated, they contain asbestos and lead paint and have building scores between 3.1 and 3.3 on a scale of 5, with 5 being the highest score. Mechanical systems are aging and substandard for modern healthcare delivery. In general, most of the buildings have outlived their useful lives and cannot be upgraded to comply with modern, safe, and secure standards. The number of patients cared for in the medicine/observation bed section is low, making it difficult to objectively assess the quality of care. Veteran enrollment in the Inland North Market is declining by 27% overall. At the same time, mental health (including psychiatry, substance abuse, PRRTP, and domiciliary) bed needs are projected to grow from 29 to 40 beds, and there is a projected need for 24 nursing home beds throughout the study period.

Use of VA Resources - According to VA projections, this small rural facility will require over $33 million in periodic and recurring maintenance costs over the next several years. Although it does not appear that there will be large amounts realized from potential re-use agreements, there is nevertheless a need to reduce the campus footprint while maintaining or improving the quality of healthcare facilities. It also appears that community providers can provide the same or better quality care as VA for some of the inpatients and nursing home residents currently cared for by VA staff. It may be just as cost effective to either contract for some of this care with regional providers or build new facilities.

Potential Partnership with Community and Private Sector Providers - The Secretary's Decision raises concerns about patient safety at this facility and whether VA should continue to operate inpatient services with very low patient volumes. There are community providers in Walla Walla, the Tri-Cities area, and in Yakima that appear to have sufficient capacity to provide some or even all of the inpatient services currently provided at the Walla Walla VAMC. There are also nearby community nursing homes that could care for veterans. The projected demand for inpatient psychiatry/substance abuse, PRRTP and other inpatient mental health programs poses a more difficult issue in contracting with regional providers. There is increasingly greater distinction between non-VA and VA in these treatment protocols, particularly with inpatient treatment of post traumatic stress disorders (PTSD), which may justify continuing these programs at the Walla Walla VAMC.

Assessment Results

The following tables (16 and 17) detail the results of applying discriminating criteria and comparison against the baseline in accordance with the Evaluation System for BPOs (Table 12).

Table 16: Baseline Assessment

BPO 1: Baseline

Assessment of BPO 1	Description
Healthcare Access	
Primary care	54% of enrollees are within drive time guidelines. The primary care access drive time threshold is 70%; therefore, Walla Walla does not meet the access guideline for primary care.
Acute care	59% of enrollees are within the drive time guidelines. The acute care drive time threshold is 65%; therefore, Walla Walla does not meet the access guideline for acute care.
Tertiary care	55% of enrollees are within the drive time guidelines. The tertiary care drive time threshold is 65%; therefore, Walla Walla does not meet the access guideline for tertiary care.
Healthcare Quality	
Quality of medical services	Achieved higher selected quality scores for ambulatory care (colorectal cancer), mental health (major depressive order and global index) as compared to both the VISN and overall national scores. Achieved the same or lower quality scores for clinical setting measures: inpatient care (heart failure), ambulatory care (endocrinology lipid profiles) and patient satisfaction (ambulatory care and inpatient care).
Modern, safe, and secure environment	Walla Walla VAMC facilities have individual ratings between 3.1 and 3.3 based with an overall rating of 2.9 out of 5 for critical values such as accessibility, code, functional space, and facility conditions.
Ensures forecast healthcare need is appropriately met	Assumes that in order to maintain quality of care and meet VA thresholds for clinical volume, VA will make necessary operational adjustments (e.g., staffing or contract arrangements).
Impact on VA and Local Community	
Human Resources:	
FTEE need (based on volume)	With the projected changes in utilization, it is anticipated that the baseline results in approximately a 3% increase in the number of FTEEs needed.
Recruitment / retention	Despite being in a remote location, Walla Walla typically has not had concerns in recruiting for available positions. As with many rural areas, specialists in pharmacy, radiology, and urology are currently the most difficult positions to recruit. Walla Walla has worked with local healthcare providers to jointly recruit physicians, and relies on good relationships with regional universities for a pipeline of qualified allied health professionals. The current recruitment environment is expected to be maintained in the baseline.
Research	Research is currently not performed at this location.

Assessment of BPO 1	Description
Education and Academic Affiliations	Walla Walla VAMC has affiliations with ten regional colleges and universities, yet a limited medical education program with one medical resident, and one to two medical students annually. Other educational affiliations provide practical experience for two to three social workers and more than 70 nursing students. Allied health training programs are important avenues for recruitment of future employees. The education programs and academic affiliations are expected to be maintained in the baseline.
Use of VA Resources	
Operating cost effectiveness	Operating costs for Walla Walla include those costs associated with providing care on-site at the VAMC, as well as purchasing care for tertiary services provided by a local community providers and/or transportation to other VAMCs. Buildings and mechanical systems are reported to be in fair condition, old but well maintained, which would result in reasonable maintenance costs for the facilities in the baseline. The dispersion of the functions in a few facilities precludes the efficient staffing and facility operations of a single structure, but is not inflating operating costs. Renovations in the baseline should not significantly reconfigure space to impact these operations. Therefore, the operating cost effectiveness is not expected to be significantly different than the current state.
Level of capital expenditure anticipated	Approximately $33 million has been identified in the CAI database as being required for capital improvements to bring the facility up to modern, safe, and secure standards. Additional minimal expenditures beyond routine maintenance would also be required.
Level of re-use proceeds	Re-use proceeds are not considered in the baseline assessment.
Cost avoidance opportunities	In the baseline, it is assumed that all of the $33 million identified by the facility as essential maintenance and upgrades will be expended.
Overall cost effectiveness	Not applicable for the baseline.
Ease of Implementation	
Ease of BPO implementation	The risk factor for implementation is low since the baseline represents the current state with improvements to meet modern, safe, and secure standards and meet demand projections. These risks are minimal since the facility is currently in fair condition. The baseline BPO presents implementation risk in terms of the following major risk areas: • Compliance, since there is implementation risk associated with the required remediation to remove asbestos and lead-based materials • Continuity of care, since meeting future demand requirements for selected ambulatory care (cardiology, behavioral health, orthopedics) and outpatient mental health (work therapy and homeless programs) will require efficient use of existing underutilized facilities on the campus or phased contracting with regional providers or other VAMCs. Renovation of patient care and administration buildings may disrupt provision of care as services are transitioned to existing available structures on campus until renovated and ready for occupancy.

Assessment of BPO 1	Description
Ability to Support VA Programs	
DoD sharing	Walla Walla VAMC presently provides services in a variety of clinical areas under TRICARE contracts. These services include clinical dietetics, EKG, pharmacy, radiology, speech pathology, clinical pathology, nurse staffing, physical therapy, respiratory therapy, EEG, occupational therapy, prosthetics/orthotics and social work clinics. The baseline does not impact any future potential collaboration between VA and DoD.
One-VA integration	The baseline environment does not further One–VA integration nor has any requirement to coordinate with other VA administrations been identified
Special considerations	The baseline does not impact DoD contingency planning, Homeland Security needs, or emergency need projections.

Table 17 provides an overall summary of the BPOs assessed for comparative purposes.

Table 17: BPO Assessment Summary

Assessment Summary	BPO 2	BPO 3	BPO 4	BPO 5	BPO 6	BPO 7
	Contract All Inpatient and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus	Contract Inpatient Medicine and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health and Inpatient Mental Health on Vacant Land on Eastern Part of Campus	Contract All Inpatient, Nursing Home, and Outpatient Care	Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities on Vacant Land on Eastern Part of Campus	Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities in Tri-Cities Area; Renovate Building 74 for Ambulatory Care and Outpatient Mental Health	Contract Inpatient Medicine and Nursing Home Care; Construct New Facility in Tri-Cities Area for Inpatient Mental Health; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus
Healthcare Access						
Primary care	↔	↔	↑	↔	↔	↔
Acute care	↔	↔	↑	↔	↑	↑
Tertiary care	↔	↔	↔	↔	↔	↔
Healthcare Quality						
Quality of medical services	↔	↔	↔	↔	↔	↔
Modern, safe, and secure environment	↑	↑	↔	↑	↑	↑
Ensures forecast healthcare need is appropriately met	↔	↔	↔	↔	↔	↔
Impact on Local Community						
Human Resources: FTEE need (based on volume)	Decrease	Decrease	Decrease	-	-	-
Recruitment / retention	↓	↓	↓	↔	↓	↓
Research	↔	↔	↔	↔	↔	↔
Education and Academic Affiliations	↓	↓	↓	↔	↓	↓
Use of VA Resources						
Operating cost effectiveness	↑	↑	↑↑↑	-	-	↑
Level of capital expenditure anticipated	↑↑↑↑	↑↑↑↑	↑↑↑↑	-	-	↑↑↑↑
Level of re-use proceeds	↑↑↑	↑↑↑	↑↑↑	↑↑↑	↑↑↑	↑↑↑
Cost avoidance opportunities	↑↑↑↑	↑↑↑↑	↑↑↑↑	-	-	↑↑↑↑
Overall cost effectiveness	↑↑	↑↑	↑↑↑↑	-	-	↑↑

Assessment Summary	BPO 2	BPO 3	BPO 4	BPO 5	BPO 6	BPO 7
	Contract All Inpatient and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus	Contract Inpatient Medicine and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health and Inpatient Mental Health on Vacant Land on Eastern Part of Campus	Contract All Inpatient, Nursing Home, and Outpatient Care	Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities on Vacant Land on Eastern Part of Campus	Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities in Tri-Cities Area; Renovate Building 74 for Ambulatory Care and Outpatient Mental Health	Contract Inpatient Medicine and Nursing Home Care; Construct New Facility in Tri-Cities Area for Inpatient Mental Health; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus
Ease of Implementation						
Riskiness of BPO implementation	↓	↓	↓	↔	↓	↓
Ability to Support VA Programs						
DoD sharing	↔	↔	↔	↔	↔	↔
One-VA Integration	↔	↔	↔	↔	↔	↔
Special Considerations	↔	↔	↔	↔	↔	↔
Overall Attractiveness	↑↑	↑↑	↑↑	-	-	↑↑

Local Advisory Panel and Stakeholder Reactions/Concerns

Local Advisory Panel Feedback

Walla Walla's LAP consists of 11 members: Tim Williams, LAP chair; Morre Dean; Alan Prentiss, M.D.; Jim Kuntz; Duane Cole; Leo Stewart; Marilyn Galusha; Fay Lyon; John King; Alice Thomsen; and Gail Weaver. Two of the members are VA staff; the rest are representatives of the community, veteran service organization, and where appropriate, medical affiliates and the Department of Defense. Nine LAP members were present at the second LAP meeting on September 30, 2005. The second LAP meeting reviewed each of the options presented by the contractor and solicited public comment on the options.

Six LAP members (a quorum) were present for deliberations on each of the options at the end of the public comment period at the second LAP meeting. The results of those deliberations are summarized in Table 18. BPOs 1, 3, and 5 were recommended by the LAP for further study, while BPOs 2, 4, 6 and 7 were not.

Plans to contract services with community providers, particularly specialized VA mental health programs, were strongly opposed by the LAP and they discussed ways to make the Secretary understand its opposition. Overall, the LAP shared the sentiment of the public that services should stay on the Walla Walla campus and should be enhanced with expansion of programs in new facilities.

Table 18: LAP BPO Voting Results

BPO	Label	Yes	No
1	Baseline	6	0
2	Contract All Inpatient and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus	0	6
3	Contract Inpatient Medicine and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health and Inpatient Mental Health on Vacant Land on Eastern Part of Campus	6	0
4	Contract All Inpatient, Nursing Home, and Outpatient Care	0	6
5	Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities on Vacant Land on Eastern Part of Campus	6	0
6	Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities in Tri-Cities Area; Renovate Building 74 for Ambulatory Care and Outpatient Mental Health	0	6
7	Contract Inpatient Medicine and Nursing Home Care; Construct New Facility in Tri-Cities Area for Inpatient Mental Health; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus	2	4

In addition, LAP member John King, as agreed by consensus of the LAP members, submitted an addendum to the second LAP meeting summaries, signed by Chairman Williams, as a LAP-recommended condition to re-use of available portions of the Walla Walla campus. It reads:

"All BPOs going forward for the Secretary's review [BPOs 1, 3 and 5 as recommended by the LAP] *should include the following statement:*

"Considerations for re-use of the Walla Walla VAMC campus should include the following: The Federal VA form a partnership with state and local governments, non-profit organizations and private business to develop housing for veterans. The VA could then provide a continuum of health care in the form of Home Care, Hospice Care and skilled nursing, especially for low to no income veterans who would be eligible for such care."

Stakeholder Feedback on BPOs

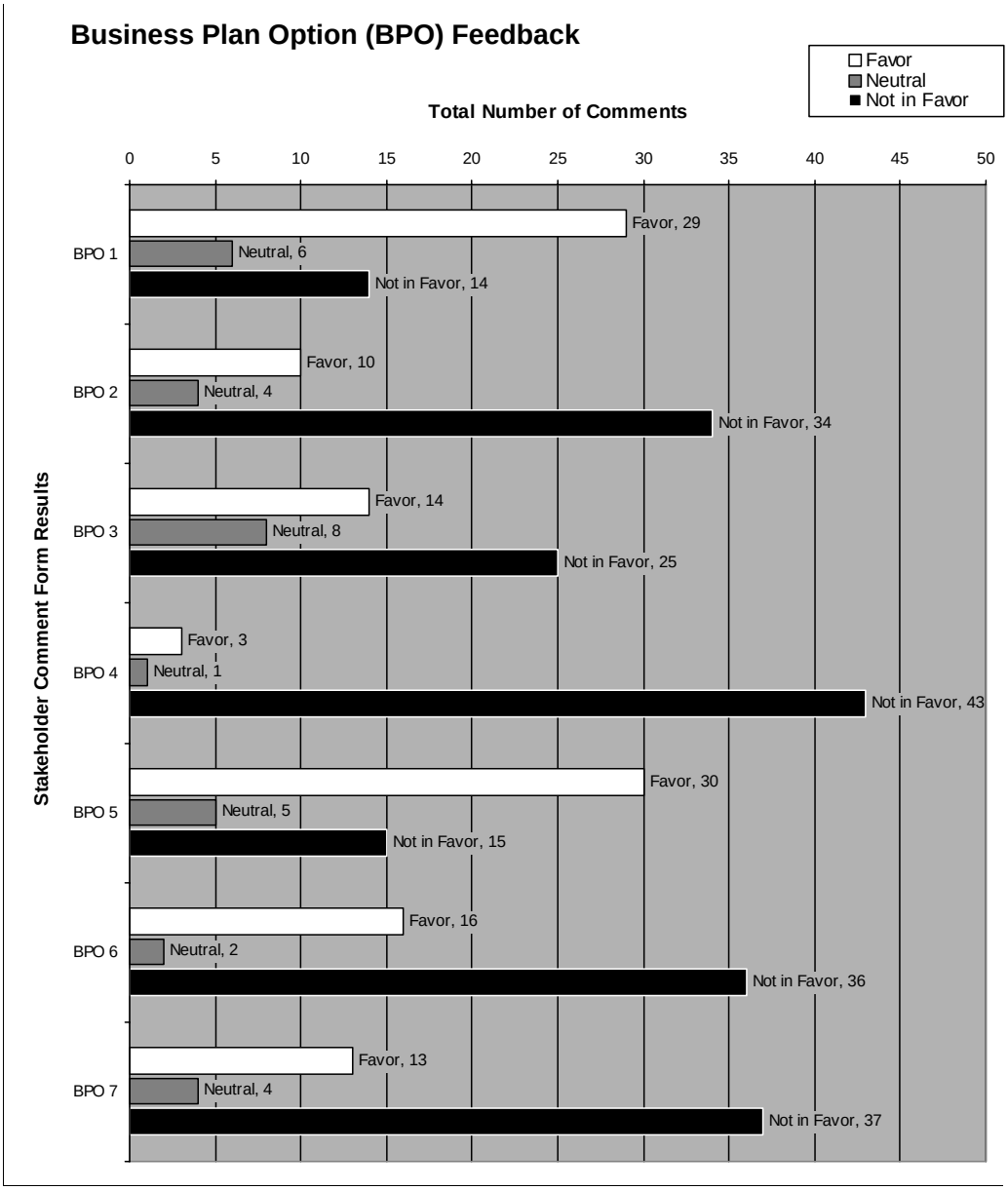
In addition to raising specific concerns, stakeholders were provided with the opportunity to provide feedback regarding the specific BPOs presented at the second LAP meeting. Through the VA CARES website and comment forms distributed at the public meeting, stakeholders were able to indicate if they "favor", are "neutral", or are "not in favor" of each of the BPOs. The results of this written and electronic feedback are provided in Figure 16.

Stakeholders reviewed the BPOs before the second public LAP meeting and were most supportive of the baseline option (BPO 1) that keeps services on site, as well as BPO 5, which calls for the construction of all new inpatient and outpatient facilities and the replacement of the existing Walla Walla VAMC. The LAP did not elect to propose any new BPOs to be considered for the Walla Walla VAMC.

Figure 16: Stakeholder Feedback on BPOs

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

The feedback received from the Options Comment Forms for the Walla Walla study site is as follows:



Baseline

Contract All Inpatient and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus

Contract Inpatient Medicine and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health and Inpatient Mental Health on Vacant Land on Eastern Part of Campus

Contract All Inpatient, Nursing Home, and Outpatient Care

Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities on Vacant Land on Eastern Part of Campus

Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities in Tri-Cities Area; Renovate Building 74 for Ambulatory Care and Outpatient Mental Health

Contract Inpatient Medicine and Nursing Home Care; Construct New Facility in Tri-Cities Area for Inpatient Mental Health; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus

BPO Recommendations for Assessment in Stage II

Team PwC's recommendation of BPOs to be further assessed in Stage II was determined based on several factors. Team PwC considered the pros and cons of each BPO, together with the results of assessments against discriminating criteria to determine the overall attractiveness of each BPO. Views and opinions of the LAP and oral and written testimony received from veterans and other interested groups were weighed heavily in Team PwC's views of each BPO. All of these inputs contributed to the selection of the BPOs to be recommended for further study in Stage II, which are summarized in Table 19 with pros and cons identified for each BPO.

The BPOs recommended for further study share some key similarities. All of them would:

- Meet increased demand for projected outpatient and inpatient services assigned to Walla Walla VAMC, particularly in ambulatory programs in cardiology, behavioral medicine, and work therapy programs;
- Maintain continuity of inpatient and outpatient services for veterans relying on the Walla Walla VAMC;
- Right-size the campus for future demand, and achieve modern, safe, and secure facilities through renovation, consolidation, or new construction; and
- Permit re-use and/or redevelopment of a majority of the campus.

BPO 4, which Team PwC eliminated from further consideration, involved contracting all services currently provided and projected for Walla Walla VAMC with regional providers or referrals to other VAMCs. Both the LAP and stakeholders strongly opposed this approach believing that no such providers existed particularly with specialized behavioral health programs, nor could services be feasibly provided convenient to resident veteran patients.

BPO 5 was eliminated because the relatively small number of inpatient and nursing home patients makes it difficult to resolve the concerns expressed in the Secretary's Decision about inpatient safety and cost efficiency if those services remain at the Walla Walla VAMC.

Table 19: BPO Recommendations

BPO	Pros	Cons	Rationale
BPOs Recommended by Team PwC for Further Study			
BPO 1: Baseline	• Scores for quality of behavioral and mental healthcare are better than the rest of VISN 20 and VA nationally. • Makes portions of the site (Parcels 4 and 5) available for re-use	• The Walla Walla VAMC is not proximate to the Inland North market veteran population density center. • Facility conditions are rated 2.9 by the VA CAI on a scale of 5 • Concerns exist about the ability to provide quality inpatient and nursing home care with a small number of patients.	• The baseline is the BPO against which all other BPOs are assessed.
BPO 3: Contract Inpatient Medicine and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health and Inpatient Mental Health on Vacant Land on Eastern Part of Campus	• New, state-of-the art outpatient and inpatient mental health facility would improve compliance with modern, safe, and secure standards. • Would maintain VA-operated mental health program which scores well on quality measures • Would accommodate future outpatient volumes • Increased potential for re-use • Potential for operating cost savings • Overall, significantly lower net present cost compared to the baseline with expected significant capital expenditure savings and substantial cost avoidance opportunities	• Contracting out inpatient medicine and nursing home care would have a negative effect on recruitment and retention • Implementation risk associated with perception of VA contracting for care instead of providing it directly. • Fragmented healthcare services resulting from contracting for care	• Maintains VA Mental Health programs which score well on quality measures. • Appears to be a very effective use of VA resources, with significant savings in anticipated capital expenditure and substantial cost avoidance opportunities.
BPO 6: Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities in Tri-Cities Area; Renovate Building 74 for Ambulatory Care and Outpatient Mental Health	• Improves access to acute care services by locating within the market sector with highest veteran population density • Increased potential for re-use • New state-of-the-art facilities in Tri-Cites are would improve compliance with modern, safe, and secure standards	• Limited or no improvement in overall cost effectiveness • Decrease in workforce assigned to the Walla Walla VAMC is anticipated • Concerns exist about the ability to provide quality inpatient and nursing home care with a small number of patients.	• Renovated facility at Walla Walla and new Tri-City facility improves access to inpatient mental health care, although small number of patients in inpatient medicine and nursing home beds remains a concern.

BPO	Pros	Cons	Rationale
BPO 7: Contract Inpatient Medicine and Nursing Home Care; Construct New Facility in Tri-Cities Area for Inpatient Mental Health; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus	• Similar to BPO 2, new, state-of-the-art outpatient facility would improve compliance with modern, safe, and secure standards. • Would improve access to acute care • Increased potential for re-use • Potential for operating cost savings • Overall, significantly lower net present cost compared to the baseline with expected significant capital expenditure savings and substantial cost avoidance	• Contracting out all inpatient and nursing home care would have a negative effect on recruitment and retention • Implementation risk associated with perception of VA contracting for care instead of providing it directly. • Fragmented healthcare services resulting from contracting for care	• Locally addresses projected inpatient bed and ambulatory care workload needs • New construction at Walla Walla VAMC and new Tri-City associated campus can accommodate future utilization • Improves access to acute care. • Increases compliance with modern, safe, and secure standards. • Significantly lower net present cost
BPOs Not Recommended by Team PwC for Further Study			
BPO 2: Contract All Inpatient and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus	• New, state-of-the art outpatient facility would improve compliance with modern, safe, and secure standards. • Would accommodate future outpatient volumes • Increased potential for re-use • Potential for operating cost savings • Overall, significantly lower net present cost compared to the baseline with expected significant capital expenditure savings and substantial cost avoidance opportunities by vacating inpatient and nursing home facilities	• Fragmented healthcare services resulting from contracting for care • Contracting out all inpatient and nursing home care would have a negative effect on recruitment and retention • Implementation risk associated with perception of VA contracting for care instead of providing it directly.	• Though potentially cost effective to contract services and minimize capital investment, there is substantial risk associated with this BPO.
BPO 4: Contract All Inpatient, Nursing Home, and Outpatient Care	• Overall, significantly lower net present cost compared to the baseline with expected significant capital expenditure savings and substantial cost avoidance opportunities	• Implementation risk associated with perception of VA contracting for care instead of providing it directly, especially VA-specific programs such as psychiatric rehabilitation programs • Contracting out all inpatient, nursing home and outpatient care would have a negative impact on recruitment and retention • Fragmented healthcare services resulting from contracting for care	• Though potentially cost effective to contract services and minimize capital investment, risk associated with contracting with rural providers for some specialized care for which demand is growing (PRRTP, Outpatient Mental Health and Work Therapy programs) is substantial.

BPO	Pros	Cons	Rationale
BPO 5: Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities on Vacant Land on Eastern Part of Campus	• New, state-of-the art square footage would improve compliance with modern, safe, and secure standards. • Would accommodate future PRRTP, ambulatory, and outpatient volumes • Increased potential for re-use	• Does not improve access to care • Concerns exist about the ability to provide quality inpatient and nursing home care with a small number of patients.	• Small number of inpatient and nursing home patients makes it difficult to resolve concerns about inpatient safety and cost efficiency

Appendix A - Assessment Tables

BPO 1: Baseline

Assessment of BPO 1	Description
Healthcare Access	
Primary care	54% of enrollees are within drive time guidelines. The primary care access drive time threshold is 70%; therefore, Walla Walla does not meet the access guideline for primary care.
Acute care	59% of enrollees are within the drive time guidelines. The acute care drive time threshold is 65%; therefore, Walla Walla does not meet the access guideline for acute care.
Tertiary care	55% of enrollees are within the drive time guidelines. The tertiary care drive time threshold is 65%; therefore, Walla Walla does not meet the access guideline for tertiary care.
Healthcare Quality	
Quality of medical services	Achieved higher selected quality scores for ambulatory care (colorectal cancer), mental health (major depressive order and global index) as compared to both the VISN and overall national scores. Achieved the same or lower quality scores for clinical setting measures: inpatient care (heart failure), ambulatory care (endocrinology lipid profiles) and patient satisfaction (ambulatory care and inpatient care).
Modern, safe, and secure environment	Walla Walla VAMC facilities have individual ratings between 3.1 and 3.3 based with an overall rating of 2.9 out of 5 for critical values such as accessibility, code, functional space, and facility conditions.
Ensures forecast healthcare need is appropriately met	Assumes that in order to maintain quality of care and meet VA thresholds for clinical volume, VA will make necessary operational adjustments (e.g., staffing or contract arrangements).
Impact on VA and Local Community	
Human Resources:	
FTEE need (based on volume)	With the projected changes in utilization, it is anticipated that the baseline results in approximately a 3% increase in the number of FTEEs needed.
Recruitment / retention	Despite being in a remote location, Walla Walla typically has not had concerns in recruiting for available positions. As with many rural areas, specialists in pharmacy, radiology, and urology are currently the most difficult positions to recruit. Walla Walla has worked with local healthcare providers to jointly recruit physicians, and relies on good relationships with regional universities for a pipeline of qualified allied health professionals. The current recruitment environment is expected to be maintained in the baseline.
Research	Research is currently not performed at this location.

Assessment of BPO 1	Description
Education and Academic Affiliations	Walla Walla VAMC has affiliations with ten regional colleges and universities, yet a limited medical education program with one medical resident, and one to two medical students annually. Other educational affiliations provide practical experience for two to three social workers and more than 70 nursing students. Allied health training programs are important avenues for recruitment of future employees. The education programs and academic affiliations are expected to be maintained in the baseline.
Use of VA Resources	
Operating cost effectiveness	Operating costs for Walla Walla include those costs associated with providing care on-site at the VAMC, as well as purchasing care for tertiary services provided by a local community providers and/or transportation to other VAMCs. Buildings and mechanical systems are reported to be in fair condition, old but well maintained, which would result in reasonable maintenance costs for the facilities in the baseline. The dispersion of the functions in a few facilities precludes the efficient staffing and facility operations of a single structure, but is not inflating operating costs. Renovations in the baseline should not significantly reconfigure space to impact these operations. Therefore, the operating cost effectiveness is not expected to be significantly different than the current state.
Level of capital expenditure anticipated	Approximately $33 million has been identified in the CAI database as being required for capital improvements to bring the facility up to modern, safe, and secure standards. Additional minimal expenditures beyond routine maintenance would also be required.
Level of re-use proceeds	Re-use proceeds are not considered in the baseline.
Cost avoidance opportunities	In the baseline, it is assumed that all of the $33 million identified by the facility as essential maintenance and upgrades will be expended.
Overall cost effectiveness	Not applicable for the baseline.
Ease of Implementation	
Ease of BPO implementation	The risk factor for implementation is low since the baseline represents the current state with improvements to meet modern, safe, and secure standards and meet demand projections. These risks are minimal since the facility is currently in fair condition. The baseline BPO presents implementation risk in terms of the following major risk areas: • Compliance, since there is implementation risk associated with the required remediation to remove asbestos and lead-based materials • Continuity of care, since meeting future demand requirements for selected ambulatory care (cardiology, behavioral health, orthopedics) and outpatient mental health (work therapy and homeless programs) will require efficient use of existing underutilized facilities on the campus or phased contracting with regional providers or other VAMCs. Renovation of patient care and administration buildings may disrupt provision of care as services are transitioned to existing available structures on campus until renovated and ready for occupancy.

Assessment of BPO 1	Description
Ability to Support VA Programs	
DoD sharing	Walla Walla VAMC presently provides services in a variety of clinical areas under TRICARE contracts. These services include clinical dietetics, EKG, pharmacy, radiology, speech pathology, clinical pathology, nurse staffing, physical therapy, respiratory therapy, EEG, occupational therapy, prosthetics/orthotics and social work clinics. The baseline does not impact any future potential collaboration between VA and DoD.
One-VA integration	The baseline environment does not further One–VA integration nor has any requirement to coordinate with other VA administrations been identified
Special considerations	The baseline does not impact DoD contingency planning, Homeland Security needs, or emergency need projections.

BPO 2: Contract All Inpatient and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus

Assessment of BPO 2	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for primary care, since primary care services will remain at the baseline location of provision.
Acute care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for acute care. Although inpatient medicine and nursing home services are to be contracted with regional providers, this location is close enough to the baseline location of provision as not to affect drive time access.
Tertiary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for tertiary care since tertiary care will continue to be referred to other VAMCs or purchased from the local community.
Healthcare Quality		
Quality of medical services	↔	No material impact is expected to the quality of medical services since all services will continue to be provided by VA in new construction or by qualified contract providers who meet VA's quality measures.
Modern, safe, and secure environment	↑	New construction for the replacement of the ambulatory and outpatient mental health facilities will provide state-of-the-art facilities and meet all Homeland Security requirements thereby improving the ability to meet modern, safe, and secure standards.
Ensures forecast healthcare need is appropriately met	↔	Changes in clinical volume should maintain quality of care, assuming VA makes necessary operational adjustments to maintain appropriate thresholds over time. Assumes local community providers will be selected that have clinical experience, incremental capacity and sufficient volumes to maintain quality of care.
Impact on VA and Local Community		
Human Resources:		
FTEE need (based on volume)	Decrease	The number of FTEEs needed would decrease since inpatient and nursing home care would be provided through local community providers rather than being provided onsite, thereby eliminating the need for staff associated with those services.
Recruitment / retention	↓	A reduction in the service mix, specifically elimination of inpatient and nursing home care, would negatively affect the ability to recruit and retain staff at the Walla Walla VAMC.

Assessment of BPO 2	Comparison to Baseline	Description of Impact
Research	↔	No material impact is expected on research since research programs are currently not performed at this location. This BPO neither precludes nor enhances future research programs.
Education and Academic Affiliations	↓	Training programs involving inpatient care would be eliminated at this location, although it is possible many of them could be accomplished at community facilities. Allied health students from local training programs will likely travel to contracted facilities for clerkships. Therefore, this BPO has the potential to provide a slightly lower state compared to the baseline.
Use of VA Resources		
Operating cost effectiveness	↑	With the contracting of services to regional providers for selected care, this BPO has the potential to provide some recurring operating cost savings compared to the baseline BPO (+5%)
Level of capital expenditure anticipated	↑↑↑↑	Since all inpatient services would be contracted out, this BPO results in substantial savings with little capital expenditures (<39%) compared to the baseline.
Level of re-use proceeds	↑↑↑	Given the concentration of VA services on Parcel E and availability of Parcels A-D, there is a significantly higher level of re-use proceeds compared to the baseline (e.g., 2 or more times).
Cost avoidance opportunities	↑↑↑↑	The BPO requires the construction of a new facility for ambulatory care and outpatient mental health; all other buildings on the campus would be vacated, resulting in substantial savings in projected recurring maintenance expenditures.
Overall cost effectiveness	↑↑	Despite the cost of constructing a new outpatient clinic, contracting services with regional providers and potential re-use proceeds make this BPO significantly lower in net present cost relative to the baseline (85-90%).

Assessment of BPO 2	Comparison to Baseline	Description of Impact
Ease of Implementation		
Ease of BPO implementation	↓	This BPO is riskier than the baseline in terms of the following major risk areas: • Continuity of care, since local community providers may not be able to accommodate inpatient medicine and nursing home volumes. • Organization and change, due to a) a possible perception that the VA mission to care for veterans is compromised by contracting for care, and b) the possibility of staff attrition caused by shifting inpatient and nursing home care to contract providers. • Political, given the local stakeholders have voiced their disapproval of moving services to offsite contractors • Project realization, since new construction is more vulnerable to delays, budget variance, and transition complications. • Security, because of concern for the railroad right-of-way on the parcel slated to lodge the replacement facilities staying on campus
Ability to Support VA Programs		
DoD sharing	↔	The BPO is not expected to affect any potential, future DoD sharing opportunities. The existing TRICARE contract with Walla Walla VAMC is expected to be transferred to other regional inpatient and outpatient providers.
One-VA Integration	↔	No material impact is expected that would affect One-VA opportunities since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances any potential, future VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since the contracting of inpatient services from a local community provider neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	↑↑	This BPO is more cost effective, likely to provide better access, and will maintain the same level of quality as the baseline. Therefore, BPO 2 is more attractive than the baseline.

BPO 3: Contract Inpatient Medicine and Nursing Home Care; Construct New Ambulatory Care and Outpatient Mental Health and Inpatient Mental Health on Vacant Land on Eastern Part of Campus

Assessment of BPO 3	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for primary care, since primary care services will remain at the baseline location of provision.
Acute care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for acute care, since acute care services will remain at the baseline location of provision.
Tertiary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for tertiary care since tertiary care will continue to be referred to other VAMCs or purchased from the local community.
Healthcare Quality		
Quality of medical services	↔	No material impact is expected to the quality of medical services since all services will continue to be provided by VA in new construction or by qualified contract providers who meet VA's quality measures.
Modern, safe, and secure environment	↑	New construction for the replacement of the ambulatory, outpatient mental health and inpatient mental health facilities will provide state-of-the-art facilities and meet all Homeland Security requirements thereby improving the ability to meet modern, safe, and secure standards.
Ensures forecast healthcare need is appropriately met	↔	Changes in clinical volume should maintain quality of care, assuming VA makes necessary operational adjustments to maintain appropriate thresholds over time. Assumes local community providers will be selected that have clinical experience, incremental capacity, and sufficient volumes to maintain quality of care.
Impact on VA and Local Community		
Human Resources:		
FTEE need (based on volume)	Decrease	The number of FTEEs needed would decrease since inpatient and nursing home care would be provided through local community providers rather than being provided onsite, thereby eliminating the need for staff associated with those services.
Recruitment / retention	↓	A reduction in the service mix, specifically elimination of inpatient and nursing home care, would negatively affect the ability to recruit and retain staff at the Walla Walla VAMC.
Research	↔	No material impact is expected on research since research programs are currently not performed at this location. This BPO neither precludes nor enhances potential, future research programs.

Assessment of BPO 3	Comparison to Baseline	Description of Impact
Education and Academic Affiliations	↓	Training programs involving inpatient care would be eliminated at this location, although it is possible many of them could be accomplished at community facilities. Allied health students from local training programs will likely travel to contracted facilities for clerkships. Therefore, this BPO has the potential to provide a slightly lower state compared to the baseline.
Use of VA Resources		
Operating cost effectiveness	↑	The new Walla Walla VAMC facilities are expected to be more efficient; most existing buildings could be vacated once the new facilities are constructed. Additionally, with the contracting of services to regional providers for selected care, this BPO has the potential to provide some recurring operating cost savings compared to the baseline BPO (+5%)
Level of capital expenditure anticipated	↑↑↑↑	Since inpatient medical and nursing home care would be contracted out, this BPO results in substantial savings with little capital expenditures (<39%) compared to the baseline.
Level of re-use proceeds	↑↑↑	Given the concentration of VA services on Parcel E and availability of Parcels A-D, there is a significantly higher level of re-use proceeds compared to the baseline (e.g., 2 or more times).
Cost avoidance opportunities	↑↑↑↑	The BPO requires the construction of a new facility for ambulatory care and inpatient and outpatient mental health; all other buildings on the campus would be vacated, resulting in substantial savings in projected recurring maintenance expenditures.
Overall cost effectiveness	↑↑	Despite the cost of constructing new facilities, contracting services with regional providers and potential re-use proceeds make this BPO significantly lower in net present cost relative to the baseline BPO (85-90%).

Assessment of BPO 3	Comparison to Baseline	Description of Impact
Ease of Implementation		
Ease of BPO implementation	↓	This BPO is riskier than the baseline in terms of the following major risk areas: • Continuity of care, since local community providers may not be able to accommodate inpatient medicine and nursing home volumes. • Organization and change, due to a) a possible perception that the VA mission to care for veterans is compromised by contracting for care, and b) the possibility of staff attrition caused by shifting inpatient and nursing home care to contract providers. • Political, given the local stakeholders have voiced their disapproval of moving services to offsite contractors. • Project realization, since new construction is more vulnerable to delays, budget variance, and transition complications. • Security, because of concern for the railroad right-of-way on the parcel slated to lodge the replacement facilities staying on campus
Ability to Support VA Programs		
DoD sharing	↔	The BPO is not expected to affect any potential, future DoD sharing opportunities. The existing TRICARE contract with Walla Walla VAMC is expected to be transferred to other regional inpatient and outpatient providers.
One-VA Integration	↔	No material impact is expected that would affect One-VA opportunities since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances any potential, future VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since the contracting of inpatient services from a local community provider neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	↑↑	This BPO is more cost effective and will maintain the same level of quality as the baseline. Therefore, BPO 3 is more attractive than the baseline.

BPO 4: Contract All Inpatient, Nursing Home, and Outpatient Care

Assessment of BPO 4	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary care	↑	This BPO is expected to increase the percentage of enrollees meeting VA drive time access guidelines for primary care since primary care will be purchased from regional providers located closer to the veteran's residence.
Acute care	↑	This BPO is expected to increase the percentage of enrollees meeting VA drive time access guidelines for acute care since acute care will be purchased from regional provider located closer to the veteran's residence.
Tertiary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for tertiary care since tertiary care continues to be referred to other VAMCs or purchased from the local community.
Healthcare Quality		
Quality of medical services	↔	No material impact is expected to the quality of medical services since the inpatient and outpatient quality measures for area providers are expected to meet quality and credentialing criteria.
Modern, safe, and secure environment	↔	No impact is expected on compliance with modern, safe, and secure standards since the Walla Walla VAMC facility is in fair condition; services are contracted to regional providers when those arrangements can be established.
Ensures forecast healthcare need is appropriately met	↔	Changes in clinical volumes for baseline services should maintain quality of care, assuming VA makes necessary operational adjustments to maintain appropriate thresholds over time. Assumes local providers will be selected based on clinical experience, incremental capacity, and specific volumes to maintain quality of care.
Impact on VA and Local Community		
Human Resources:		
FTEE need (based on volume)	Decrease	FTEE need would significantly decrease due to contracting the provision of all patient care programs and services with regional providers; fixed and variable staffing expenses would diminish.
Recruitment / retention	↓	Eliminating all medical services would negatively affect the ability to recruit and retain staff at the Walla Walla VAMC until all services have been contracted out.
Research	↔	No material impact is expected on research since research programs are currently not performed at this location. This BPO neither precludes nor enhances potential, future research programs.

Assessment of BPO 4	Comparison to Baseline	Description of Impact
Education and Academic Affiliations	↓	Training programs involving inpatient care would be eliminated at this location, although it is possible many of them could be accomplished at community facilities. Allied health students from local training programs will likely travel to contracted facilities for clerkships. Therefore, this BPO has the potential to provide a slightly lower state compared to the baseline.
Use of VA Resources		
Operating cost effectiveness	↑↑↑	Contracting services by the VA with regional providers has the opportunity to achieve significant recurring operating cost savings compared to Baseline (>15%).
Level of capital expenditure anticipated	↑↑↑↑	Since all health care would be contracted out, this BPO results in substantial savings with little capital expenditures (<39%) compared to the baseline.
Level of re-use proceeds	↑↑↑	Since all healthcare services would be contracted out, there is a significantly higher level of re-use proceeds than the baseline.
Cost avoidance opportunities	↑↑↑↑	Very significant savings in essential capital investment compared to the baseline. When VA concludes negotiations for provision of all healthcare services by non-VA providers, most if not all of the buildings on the campus would be vacated, resulting in substantial savings in projected recurring maintenance expenditures.
Overall cost effectiveness	↑↑↑↑	Contracting services with regional providers and potential re-use proceeds make this BPO significantly lower in net present cost relative to the baseline BPO (<85%)
Ease of Implementation		
Ease of BPO implementation	↓	This BPO is riskier than the baseline in terms of the following major risk areas: • Project realization, since contracting for all inpatient, nursing home, and outpatient services means that services are more vulnerable to delays, budget variance, and transition complications. • It is uncertain if VA sponsored, specialized mental health programs such as PRRTP can be found among regional, rural provider-contractors • Organization and change, due to a) possible perception that the VA mission to care for veterans is compromised by contracting for care, and b) possibility of staff attrition caused by shifting all current health care to contract providers

Assessment of BPO 4	Comparison to Baseline	Description of Impact
Ability to Support VA Programs		
DoD sharing	↔	The BPO is not expected to affect any potential, future DoD sharing opportunities. The existing TRICARE contract with the Walla Walla VAMC is expected to be transferred to other regional inpatient and outpatient providers.
One-VA Integration	↔	No material impact is expected that would affect One-VA opportunities since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances any potential, future VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since the contracting of all services from a local community provider neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	↑↑	This BPO is more cost effective, likely to provide better access, and will maintain the same level of quality as the baseline. Therefore, BPO 4 is more attractive than the baseline.

BPO 5: Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities on Vacant Land on Eastern Part of Campus

Assessment of BPO 5	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for primary care, since primary care services remain at the baseline location of provision.
Acute care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for acute care, since acute care services remain at the baseline location of provision
Tertiary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for tertiary care since tertiary care continues to be referred to other VAMCs or purchased from the local community.
Healthcare Quality		
Quality of medical services	↔	No material impact is expected to the quality of medical services since services remain at the baseline location of provision.
Modern, safe, and secure environment	↑	Construction of the replacement VAMC will provide a state-of-the-art facility and meet Homeland Security requirements, thereby improving ability to meet modern, safe, and secure standards.
Ensures forecast healthcare need is appropriately met	↔	Changes in clinical volumes for baseline services should not have a negative impact on quality of care, assuming VA makes necessary operational adjustments to maintain appropriate thresholds over time.
Impact on VA and Local Community		
Human Resources:		
FTEE need (based on volume)	-	FTEE need remains the same as the baseline.
Recruitment / retention	↔	There is no change in the complement of services between this BPO and the baseline that would affect the ability of Walla Walla VAMC to recruit and retain personnel.
Research	↔	No material impact is expected on research since research programs are currently not performed at this location. This BPO neither precludes nor enhances potential, future research programs
Education and Academic Affiliations	↔	No material impact is expected on the education programs and academic affiliations since baseline services remain at current location of provision. Education programs in ophthalmology, internal medicine, and allied health are not expected to be impacted by incremental patient workload.

Assessment of BPO 5	Comparison to Baseline	Description of Impact
Use of VA Resources		
Operating cost effectiveness	-	While the replacement Walla Walla VAMC facilities are expected to be more efficient, incremental costs are associated with the development and construction of the new Walla Walla VAMC site. As a result, this BPO has the potential to require materially the same operating costs as the baseline (+/- 5%).
Level of capital expenditure anticipated	-	The cost of constructing replacement facilities to accommodate all of the current services provided at Walla Walla VAMC is similar to the level of investment required by the baseline. .
Level of re-use proceeds	↑↑↑	Consolidating services on Parcel E yields Parcels A-D for re-use, resulting in a higher level of re-use proceeds when compared to the baseline (e.g., 1-2 times).
Cost avoidance opportunities	-	The BPO requires the construction of a new facility which is expected to take place over four to six years. Although this will result in some cost avoidance opportunities, the savings are not considered significant.
Overall cost effectiveness	-	Although capital expenditures are required to build the inpatient, ambulatory and outpatient mental health facilities, re-use proceeds offset part of this cost. Thus, the BPO results in a similar level of net present cost compared to the baseline (+/- 5 %)
Ease of Implementation		
Ease of BPO implementation	↔	This BPO is riskier than the baseline in terms of the following major risk area: • Project realization, since new construction is more vulnerable to delays, budget variance, and transition complications. However, it is less risky than the baseline in terms of the following major risk areas: • Continuity of care, since ongoing renovations required in the baseline could result in disruptions or relocation of patient care areas. • Project realization, due to the need to develop and construct a significant new campus on the Walla Walla campus and execute agreements with local community providers. Overall, BPO 5 is expected to provide materially the same level of risk as the baseline.
Ability to Support VA Programs		
DoD sharing	↔	The BPO is not expected to affect any potential future DoD sharing opportunities. The existing TRICARE contract with Walla Walla VAMC is expected to be unaffected.

Assessment of BPO 5	Comparison to Baseline	Description of Impact
One-VA Integration	↔	No material impact is expected that would affect One-VA opportunities since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances any potential, future VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since providing the same services as the baseline in a new facility neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	-	This BPO provides generally the same access, quality, and cost effectiveness as the baseline. Therefore, BPO 5 provides generally the same level of attractiveness as the baseline.

BPO 6: Replace Walla Walla VAMC with New Inpatient and Outpatient Facilities in Tri-Cities Area; Renovate Building 74 for Ambulatory Care and Outpatient Mental Health

Assessment of BPO 6	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for primary care, since primary care services are currently provided by VA in the Tri-Cities area (Richland CBOC) and at Walla Walla
Acute care	↑	Some improvement is expected in the percentage of enrollees meeting VA drive time access guidelines for acute care, since acute care services are provided by the VA are closer to the sector's veteran population center.
Tertiary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for tertiary care since tertiary care will continue to be referred to other VAMCs or purchased from the local community.
Healthcare Quality		
Quality of medical services	↔	No material impact is expected to the quality of medical services since all services will continue to be provided by VA in new construction or by qualified contract providers who meet VA's quality measures.
Modern, safe, and secure environment	↑	New construction in Tri-Cities and renovated facilities (Building 74) on the Walla Walla VAMC campus would allow for inpatient and outpatient mental health and ambulatory services to fully meet modern, safe, and secure standards.
Ensures forecast healthcare need is appropriately met	↔	Changes in clinical volumes for baseline services should not have a negative impact on quality of care, assuming VA makes necessary operational adjustments to maintain appropriate thresholds over time.
Impact on VA and Local Community		
Human Resources:		
FTEE need (based on volume)	-	Similar need for FTEEs as the baseline.
Recruitment / retention	↓	There would be a need to recruit personnel to staff the new facility in Tri-Cities, resulting in a yet unknown but potential difficulty in recruiting. There would be a corresponding decrease in personnel required at the Walla Walla VAMC.
Research	↔	No material impact is expected on research since research programs are currently not performed at this location. This BPO neither precludes nor enhances potential, future research programs

Assessment of BPO 6	Comparison to Baseline	Description of Impact
Education and Academic Affiliations	↓	Training programs involving inpatient care would be eliminated at this location, although it is possible many of them could be accomplished at community facilities. Allied health students from local training programs will likely travel to contracted facilities for clerkships. Therefore, this BPO has the potential to provide a slightly lower state compared to the baseline.
Use of VA Resources		
Operating cost effectiveness	-	Operating costs will be similar to those in the baseline (+/-5%). Any savings achieved through reduction of staff or vacating facilities would be offset by the cost of development and relocation to new space in which to provide services.
Level of capital expenditure anticipated	-	Investment will be required to obtain, procure, and develop a new healthcare delivery site in the Tri-Cities, and to renovate Building 74 on the Walla Walla campus to continue ambulatory and outpatient mental health. Overall, the level of capital expenditure is expected to be similar to renovating all facilities under the Baseline BPO (80-120% of baseline).
Level of re-use proceeds	↑↑↑	Most of the Walla Walla VAMC parcels (A, B, C (portion), D, and E) are available for re-use. Re-use proceeds are expected to be higher than the baseline (e.g., 1-2 times).
Cost avoidance opportunities	-	The BPO requires the construction of a new facility in the Tri-Cities area which is expected to take place over four to six years. It also requires the renovation of a significant building (Building 74) at the Walla Walla VAMC to accommodate outpatient services. Although these projects will result in some cost avoidance opportunities, the savings are not considered significant.
Overall cost effectiveness	-	Provision of new facilities in Tri-Cities, closer to the market's density of the veteran population is not expected to be more cost effective than the baseline (+/-5%) .

Assessment of BPO 6	Comparison to Baseline	Description of Impact
Ease of Implementation		
Riskiness of BPO implementation	↓	This BPO is riskier than the baseline in terms of the following major risk areas: • Legal and Contractual, due to the need to purchase a site, and develop and construct a new campus in Tri-Cities; • Organization and change, due to the possibility of staff attrition caused by shifting inpatient and nursing home care to Tri-Cities area. • Political, given the local stakeholders have voiced their disapproval of moving services to an offsite location, even if it is closer to their residence.
Ability to Support VA Programs		
DoD sharing	↔	The BPO is not expected to affect any potential future DoD sharing opportunities. The existing TRICARE contract with Walla Walla VAMC is expected to be transferred with redeveloped services in Tri-Cities area, as well as to other regional inpatient and outpatient providers.
One-VA Integration	↔	No material impact is expected that would affect One-VA opportunities since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances any potential, future VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since the contracting of inpatient services from a local community provider neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	-	This BPO provides better access, the same level of quality, and the same cost effectiveness as the baseline. Therefore, BPO 6 provides generally the same level of attractiveness as the baseline.

BPO 7: Contract Inpatient Medicine and Nursing Home Care; Construct New Facility in Tri-Cities Area for Inpatient Mental Health; Construct New Ambulatory Care and Outpatient Mental Health on Vacant Land on Eastern Part of Campus

Assessment of BPO 7	Comparison to Baseline	Description of Impact
Healthcare Access		
Primary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for primary care, since primary care services are currently provided at a CBOC in the Tri-Cities area (Richland) and at the Walla Walla VAMC.
Acute care	↑	Some improvement is expected in the percentage of enrollees meeting VA drive time access guidelines for acute care, since inpatient mental health services are provided by VA closer to the sector's veteran population center.
Tertiary care	↔	No material change is expected to the percentage of enrollees meeting VA drive time access guidelines for tertiary care since tertiary care will continue to be referred to other VAMCs or purchased from the local community.
Healthcare Quality		
Quality of medical services	↔	No material impact is expected to the quality of medical services since all services will continue to be provided by VA in new construction or by qualified contract providers who meet VA's quality measures.
Modern, safe, and secure environment	↑	New construction in Tri-Cities and on Walla Walla VAMC would allow for inpatient and outpatient services to fully meet modern, safe, and secure requirements. It is assumed the same or similar standard is applicable to contracted facilities' lodging inpatient medicine and nursing home care.
Ensures forecast healthcare need is appropriately met	↔	Changes in clinical volumes for baseline services should not have a negative impact on quality of care, assuming VA makes necessary operational adjustments to maintain appropriate thresholds over time.
Impact on VA and Local Community		
Human Resources:		
FTEE need (based on volume)	↔	Similar need for FTEEs compared to the baseline.
Recruitment / retention	↓	There would be a need to recruit personnel to staff the new facility in Tri-Cities, resulting in an unknown but potential difficulty in recruiting. There would be a corresponding decrease in personnel required at the Walla Walla VAMC.

Assessment of BPO 7	Comparison to Baseline	Description of Impact
Research	↔	No material impact is expected on research since research programs are currently not performed at this location. This BPO neither precludes nor enhances potential future research programs
Education and Academic Affiliations	↓	Training programs involving inpatient care would be eliminated at this location, although it is possible many of them could be accomplished at community facilities. Allied health students from local training programs will likely travel to contracted facilities for clerkships. Therefore, this BPO has the potential to provide a slightly lower state compared to the baseline.
Use of VA Resources		
Operating cost effectiveness	↑	With the contracting of services to regional providers for selected care, this BPO has the potential to provide some recurring operating cost savings compared to the baseline BPO (+5%)
Level of capital expenditure anticipated	↑↑↑↑	Compared to the baseline, this BPO would generate significant savings in capital expenditure because the level of expected capital expenditure is reduced due to contracting for inpatient medicine and nursing home care.
Level of re-use proceeds	↑↑↑	Most of the Walla Walla VAMC parcels (A, B, C, and D) are available for re-use. Re-use proceeds are expected to be higher than the baseline (e.g., 1-2 times).
Cost avoidance opportunities	↑↑↑↑	The BPO requires the construction of a new facility in the Tri-Cities area and a new CBOC at the Walla Walla VAMC. All other buildings on campus would be vacated resulting in substantial savings in projected recurring maintenance expenditures.
Overall cost effectiveness	↑↑	Despite the cost of constructing a new outpatient clinic, contracting services with regional providers and potential re-use proceeds make this BPO significantly lower in net present cost relative to the baseline (85-90%).

Assessment of BPO 7	Comparison to Baseline	Description of Impact
Ease of Implementation		
Riskiness of BPO implementation	↓	This BPO is riskier than the baseline in terms of the following major risk areas: • Legal & Contractual, due to the need to purchase a site, and develop and construct a new campus in Tri-Cities and execute arrangements with local community providers • 2) Organization and change, due to a) a possible perception that the VA mission to care for veterans is compromised by contracting for care, and b) the possibility of staff attrition caused by shifting all current health care to contract providers. • Political, given that local stakeholders have voiced their disapproval with moving services to an offsite location, even if closer to their residence.
Ability to Support VA Programs		
DoD sharing	↔	The BPO is not expected to affect any potential, future DoD sharing opportunities. The existing TRICARE contract with Walla Walla VAMC is expected to be transferred with redeveloped services in the Tri-Cities area, as well as to other regional inpatient and outpatient providers.
One-VA Integration	↔	No material impact is expected that would affect One-VA opportunities since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances any potential, future VBA or NCA relationships.
Special Considerations	↔	No material impact is expected in terms of special considerations since the contracting of inpatient services from a local community provider neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	↑↑	This BPO is more cost effective, likely to provide better access, and will maintain the same level of quality as the baseline. Therefore, BPO 7 is more attractive than the baseline.

Appendix B - Glossary

Acronyms

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

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

Definitions

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

Business Plan Option (BPO)	The options developed and assessed by Team PwC as part of the Stage I and Stage II Option Development Process. A business plan option consists of a credible healthcare plan describing the types of services, and where and how they can be provided and a related capital plan, and an associated re-use plan.
Capital Asset Inventory (CAI)	The CAI includes the location and planning information on owned buildings and land, leases, and agreements, such as enhanced-use leases, enhanced sharing agreements, outleases, donations, permits, licenses, inter- and intra-agency agreements, and ESPC (energy saving performance contracts) in the VHA capital inventory.
CARES Implementation Category (CIC)	One of 25 categories under which workload is aggregated in VA demand models. *(See Workload)*
Clinic Stop	A visit to a clinic or service rendered to a patient.
Clinical Inventory	The listing of clinical services offered at a given station.
Code	Compliance with auditing/reviewing bodies such as JCAHO, NFPA Life Safety Code or CAP.
Community Based Outpatient Clinic (CBOC)	An outpatient facility typically housing clinic services and associated testing. A CBOC is VA operated, contracted, or leased and is geographically distinct or separate from the parent medical facility.
Cost Effectiveness	A program is cost-effective if, on the basis of life-cycle cost analysis of competing alternatives, it is determined to have the lowest costs expressed in present value terms for a given amount of benefits.
Domiciliary	A VA facility that provides care on an ambulatory self-care basis for veterans disabled by age or 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)*
Mental Health Indicators	See the end of this document.
Multispecialty Clinic	A VA medical facility providing a wide range of ambulatory services such as primary care, specialty care, and ancillary services usually located within a parent VA facility.
Nursing Home	The term "nursing home care" means the accommodation of convalescents or other persons who are not acutely ill and not in need of hospital care, but who require nursing care and related medical services, if such nursing care and medical services are prescribed by, or are performed under the general direction of, persons duly licensed to provide such care. Such term includes services furnished in skilled nursing care facilities, in intermediate care facilities, and in combined facilities. It does not include domiciliary care.
Primary Care	Healthcare provided by a medical professional with whom a patient has initial contact and by whom the patient may be referred to a specialist for further treatment. *(See Secondary Care and Tertiary Care)*
Re-use	An alternative use for underutilized or vacant facility space or VA owned land.

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

Mental Health Indicators

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