Capital Asset Realignment for Enhanced Services (CARES)

Stage I Report
Site: Perry Point

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's) 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 (VA) or any financial or other information or on internal controls of VA.

VA has also contracted with another government contractor, S&S Construction/ACG Joint Venture, to develop re-use options for inclusion in this study. S&S Construction/ACG Joint Venture issued its report, *Technical, Financial and Legal Assistance and Support for Property Re-use/Redevelopment Plans, Phase 1 Report, Data Collection and Planning Analysis, VA Medical Center, Perry Point, MD,* and as directed by VA, PwC has included information from its report in the following sections in this report: Recent and Planned Capital Improvements, Outleased Areas/Use Agreements, Real Estate Market, and Re-Use Potential. PwC was not engaged to review and, therefore, makes no representation regarding the sufficiency of nor takes any responsibility for any of the information reported within this study by S&S Construction/ACG Joint Venture.

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

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1.0 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.

The Perry Point Veteran Affairs Medical Center (VAMC) in Maryland, is one of the CARES study sites and includes capital planning and re-use planning studies, but not healthcare delivery. The Secretary's Decision Document of May 2004 makes the following decisions for Perry Point:

- While some buildings on the campus have been recently renovated, others are in dire need of repair, including the nursing home, which is almost 80 years old.
- While the mission of the Perry Point campus is to provide nursing home, comprehensive mental health, primary care, and outpatient specialty care, and services will remain unchanged, the Master Plan will propose an efficient, cost-effective, and appropriately sized design that will reduce vacant and underused space on the campus and include modernization of patient care buildings to meet current and anticipated needs.
- The plan will include the construction of a replacement nursing home.
- The Master Plan will ensure that plans for alternate use or disposal of VA property serve to enhance the Department's mission.

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 Perry Point VAMC is located in Perryville, an incorporated municipality in Cecil County, Maryland. The Perry Point VAMC is part of Veterans Integrated Service Network (VISN) 5 which comprises three markets: Baltimore, Martinsburg, and Washington. Perry Point is in the Baltimore market.

Current Healthcare Provision

The Perry Point VAMC provides comprehensive mental healthcare to veterans in the VA Maryland Health Care System. The VAMC offers long- and short-term inpatient mental healthcare, including an inpatient alcohol and substance abuse treatment program. A new inpatient mental healthcare facility offers specialized treatment programs, rehabilitation services, and enhanced patient privacy for veterans in a comfortable, state-of-the-art setting. The Perry Point VAMC offers inpatient medical, intermediate and long-term care programs, including a nursing home, a chronic ventilator care unit, a specialized unit for patients with Alzheimer's disease, and a hospice care section. There are 178 inpatient mental health beds, 5 substance abuse and psychiatry beds, 16 medicine and observation beds, 170 nursing home beds, and 101 domiciliary beds, including a newly renovated 50-bed domiciliary care program which helps to rehabilitate homeless veterans through counseling, job assistance, and home placement. The Perry Point VAMC is home to a new substance abuse rehabilitation treatment program, which is an intensive outpatient program for veterans with drug and alcohol addictions.

Facilities

The Perry Point campus consists of approximately 365 acres (gross) situated along the northeastern banks of the Susquehanna River and the Chesapeake Bay. Of the total acreage, about 347 acres are considered usable, while an estimated 18 acres are considered archaeological and/or historical. The Perry Point VAMC is bounded by the Town of Perryville and railroad tracks to the north, the Town of Perryville and the Perryville town park to the east, the Chesapeake Bay to the south, and the Susquehanna River to the west. An aerial photograph of the campus is provided in Figure 1.

Figure 1: Aerial Photograph - Perry Point Campus

The campus is accessible from MD Route 222, a local two- and three-lane roadway. Route 222 is a direct exit from Interstate I-95 and is the main road through the Town of Perryville. While access onto Route 222 is direct, the frontage does not enable high visibility from the roadway. Route 222 is the main local road for Perryville; however, the traffic count is low. Public bus service is provided by the Delaware Transit Corporation from New Castle County to Cecil County. Rail transportation is available directly in Perryville, with an historic train station located approximately one-half mile north of the campus. Specialized transit is provided through a number of small agencies. Although means for water access are not currently in place, there is approximately 8,400 linear feet of water frontage along the VAMC's western and southern property line. Currently, there are no docking or water access points established, although the waterway is navigable.

Many of the buildings on campus date back to 1918, when the property was purchased by the federal government. Rather than erecting new facilities, several of the existing structures used by the Atlas gunpowder plant were converted to medical buildings. Overall, the main structures are less than five stories and are constructed of brick and stone. The village houses are two-story homes with wood and siding. Construction style is traditional, with front porches, but no basements. These houses are in poor condition, although some are still inhabited.

The campus contains 135 buildings totaling 1,312,940 building gross square feet (BGSF), the largest of which are Building 17H, the dietetics/canteen building (97,032 BGSF) and Building

9H, the nursing home (81,743 BGSF). From the total building inventory, 91 buildings are considered quarters buildings.

The configuration of the Perry Point campus is slightly irregular, being nearly rectangular with a slightly U-shaped section in the center. Village housing is located on the western portion of the campus. Patient care facilities are clustered in the central/eastern portion of the campus. Administrative offices are intermingled with medical facilities in the central and eastern areas of the campus. There is a burial ground and archeological site and an historic area containing the mansion and grist mill along the water frontage. Surrounding each cluster of development are open land and landscaped areas.

Parking is dispersed throughout the campus. There are approximately 30 parking lots on campus with a total of 1,423 spaces. While two-thirds of the parking lots have less than 50 spaces, the remaining one-third provide more than 67% of the total capacity and serve major facilities including public health, mental health, and outpatient buildings.

Figure 2 presents a site plan of the Perry Point campus. A list of the buildings on site, their size, and function are presented in Table 1.

Two structures located on the campus are listed on the National Register of Historic Places, the 17th century grist mill and the mansion house, which sit on a five-acre parcel of land. Adjacent to this parcel is an archeological site on which Indian artifacts have been uncovered (approximately 13 acres), which is also listed on the National Registry of Historic Places. VA's Office of Facilities Management identified 35 facilities that are more than 50 years old and may have historic potential. It may be required that preservation standards are met before these structures can be modified for re-use.

Figure 2: Existing Building Distribution

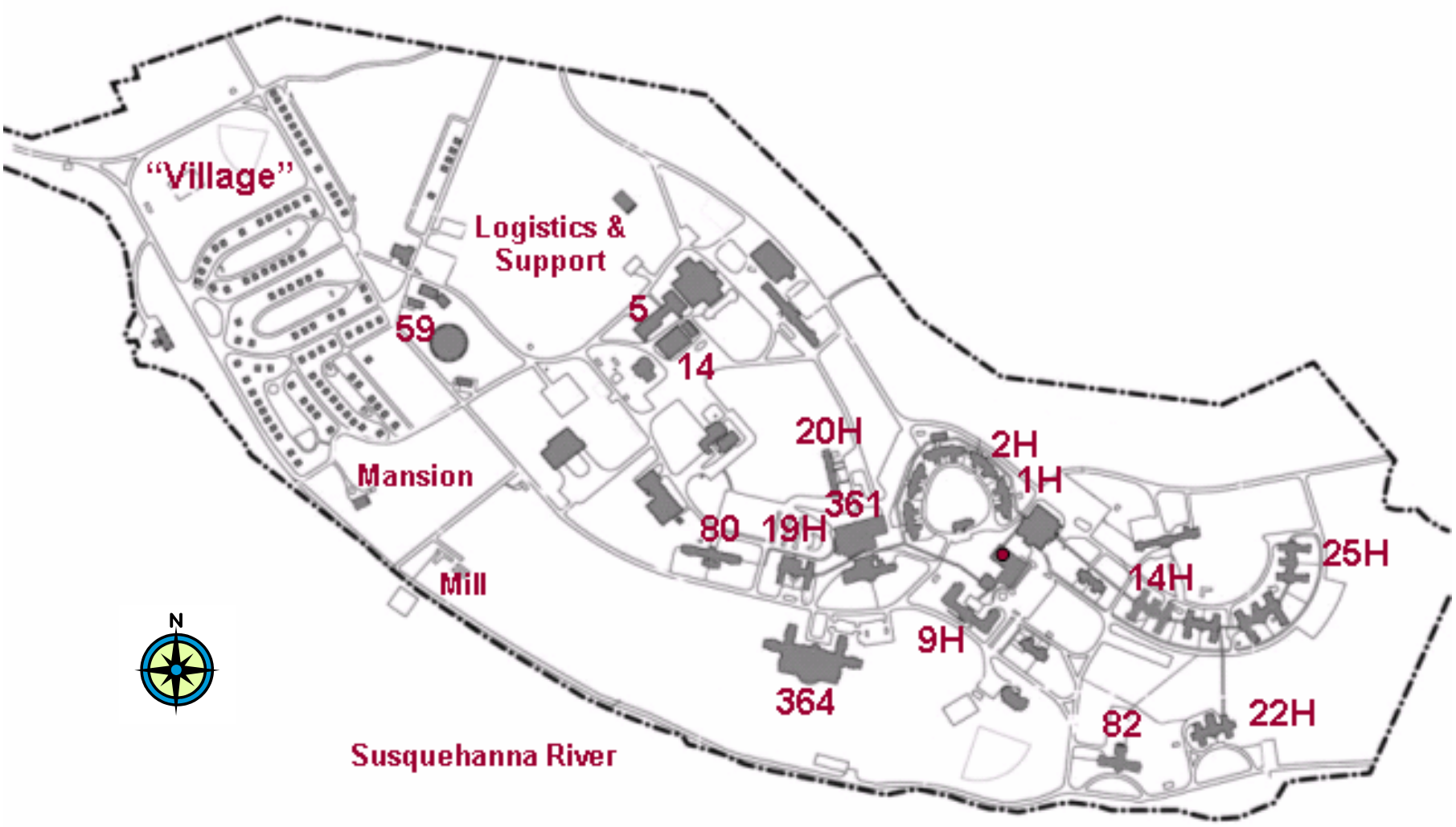


Table 1: Existing Departmental Distribution by Building[1]

Building	Floor	Function(S)	Year Built	Year Renovation	Floors	Building Total GSF
1		Hospital Wards	1921	1986		
1H		Domiciliary	1921		2	11,917
2		Hospital Wards	1921			
2H		Domiciliary	1921	1986	2	11,867
3		Hospital Wards	1921		0	
3H		Administration	1921	1986	2	11,193
4		Research	1918	1987	3	11,354
4H		Education	1921	1993	2	10,164
5		Public Health Service	1921	1993	1	47,741
5H		Administration	1921	1991	2	14,537
6		Director's Office	1922			
6H		Voluntary Service	1922	1986	1	3,327
8		Engineering Storage	1918		1	40,754
9		Hospital Wards	1924			
9H		Nursing Home	1924	1972	2	81,566
10		Engineering Storage	1918		2	18,976
11		Warehouse	1918		1	75,921
11H		Nursing Admin/Med Library	1924	1999	2	11,027
13		Public Health Service	1922	1993	1	7,645
13H		Psychiatric Units	1935	1968	3	35,668
14		Public Health Service	1935	1993	1	26,783
14H		Psychiatric Units	1935	1968	3	43,719
15		Administration	1918	1975	1	17,277
15H		Rehab	1924	1992	2	15,608
17		Canteen/Dietetic Services	1926			
17H		Dietetics	1926	1975	2	56,923
18H		Maint. Shops	1924		1	10,966
19		Hospital Wards	1931			
19H		Medical Wards	1931	1996	3	34,215
20		Water Pumping Station	1918	1992	1	8,760
20H		Med/Media, Irms	1940	1992	1	8,029
22		Filter Plant	1942	1989	1	3,406
22H		Substance Abuse/Detox	1942		2	26,342
23		Hospital Wards	1942			
23H		Geropsych Nursing Units	1942	1999	5	46,783
	Ground	SPD Service; Rehab; Pathology				
	1	Dental; Eye Clinic; ASC-Specialty Care				
	2	Geriatrics; Intermediate & Hospice Beds				
	3	Intermediate Beds				
	4	Engineering; On Call Program				
24		Supply Storage	1918			662

[1] Source: VA Capital Asset Inventory Database

Building	Floor	Function(S)	Year Built	Year Renovation	Floors	Building Total GSF
24H		Mental Health Nursing Unit	1947	1976	3	41,006
25		Hospital Wards	1947			
25H		Mental Health Nursing Unit	1947	1976	3	49,668
26		Fire House	1985		1	7,093
27H		Biomed Shop	1960		1	2,952
32		Valve House	1918			
33		Animal Lab	1918		1	517
41		Greenhouse	1925		1	4,230
59		Us Post Office	1918		1	3,260
64		PM&R	1921		1	1,607
80		Mental Health Clinic	1932	1990	2	28,315
82		Education/Research	1932	1990	2	19,041
86		Garage	1918		0	552
97		Gate House	1937		1	640
97A		Guard Booth	1975		1	30
98		Garage	1918			1,112
99		Garage	1918		0	1,112
100		Garage	1918			1,112
101		Administration	1946	1990	1	14,867
102		Filter Plant	1918	1989	1	2,908
311		Sewage Pump Station	1994			1,200
314A		Theatre	1969		2	11,214
314B		Recreation	1969		2	18,686
314C		Chapel	1969		1	6,620
315		Boiler Plant	1969		1	9,500
317		Patient Restrooms	1969			500
321		Chiller Plant	1980		1	9,425
360		Laundry	1988		1	34,729
361		Clinical Addiction	1992		2	60,910
362T		Research	1995		1	1,960
363T		Research	1996		1	1,365
364		Mental Health Nursing Unit	1999		1	58,355
366		Mental Health Clinic	2004		1	5,600
367		Warehouse	2004		1	7,200
369		Clearwell	2001		1	7,850
501		Director's Quarters (Mansion)	1750		1	9,620
504		Old Mill	1735		1	3,600
523		Pavilion	1974			1,000
1062		Outleased Housing	1918		1	2,726
1063		Outleased Housing	1918		1	2,984
1065		Staff Housing	1918		1	2,984
1066		Outleased Housing	1918		1	3,078
1067		Outleased Housing	1918		1	2,984
1068		Staff Housing	1918		1	2,984
1069		Outleased Housing	1918		1	2,984
1070		Outleased Housing	1918		1	2,984

Building	Floor	Function(S)	Year Built	Year Renovation	Floors	Building Total GSF
1071		Outleased Housing	1918		1	2,811
1073		Outleased Housing	1918		1	2,726
1074		Outleased Housing	1918		1	2,726
1075		Outleased Housing	1918		1	2,726
1077		Outleased Housing	1918		1	2,811
1078		Outleased Housing	1918		1	2,984
1079		Outleased Housing	1918		1	2,984
1080		Village Maintenance Shop	1918		1	2,984
1082		Outleased Housing	1918		1	2,811
1083		Outleased Housing	1918		1	3,574
1084		Outleased Housing	1918		1	2,984
1085		Outleased Housing	1918	1993	1	3,641
1086		Outleased Housing	1918		1	3,574
1087		Outleased Housing	1918		1	2,642
1088		Staff Housing	1918		1	2,642
1089		Staff Housing	1918		1	3,574
1091		Outleased Housing	1918		1	3,078
1092		Staff Housing	1918		1	3,641
1093		Staff Housing	1918		1	3,641
1095		Outleased Housing	1918		1	3,574
1103		Outleased Housing	1918		1	2,811
1104		Outleased Housing	1918		1	2,811
1105		Outleased Housing	1918		1	2,984
1106		Outleased Housing	1918		1	2,811
1107		Outleased Housing	1918		1	2,984
1108		Outleased Housing	1918		1	2,984
1110		Outleased Housing	1918		1	2,726
1111		Outleased Housing	1918		1	2,726
1112		Staff Housing	1918		1	2,726
1113		Outleased Housing	1918		1	2,811
1117		Outleased Housing	1918		1	2,811
1118		Trans Housing	1918		1	2,811
1119		Trans Housing	1918		1	2,726
1120		Staff Housing	1918		1	2,726
1121		Outleased Housing	1918		1	2,811
1124		Staff Housing	1918		1	2,811
1125		Staff Housing	1918		1	3,078
1127		Student Housing	1918		1	2,811
1128		Student Housing	1918		1	2,811
1129		Student Housing	1918		1	2,811
1130		Guest Housing	1918		1	2,726
1131		Staff Housing	1918		1	3,641
1132		Staff Housing	1918		1	3,641
1137		Staff Housing	1918		1	2,984
1138		Staff Housing	1918		1	3,078
1139		Staff Housing	1918		1	2,984

Building	Floor	Function(S)	Year Built	Year Renovation	Floors	Building Total GSF
1141		Staff Housing	1918		1	2,726
1143		Outleased Housing	1918		1	3,078
1146		Staff Housing	1918		1	3,078
1147		Staff Housing	1918		1	2,984
1148		Staff Housing	1918		1	2,984
1150		Staff Housing	1918		1	3,574
1151		Staff Housing	1918		1	3,574
1152		Staff Housing	1918		1	3,641
1154		Staff Housing	1918		1	3,574
1155		Staff Housing	1918		1	3,641
1156		Staff Housing	1918		1	3,641
1159		Trans Housing	1918		1	2,726
1160		Trans Housing	1918		1	2,811
1162		Trans Housing	1918		1	2,811
1163		Staff Housing	1918		1	2,746
1164		Outleased Housing	1918		1	2,642
1165		Staff Housing	1918		1	2,642
1166		Outleased Housing	1918		1	2,746
1167		Voluntary Service	1918		1	2,984
1168		Staff Housing	1918		1	2,984
1169		Outleased Housing	1918		1	2,746
1170		Outleased Housing	1918		1	2,642
1172		Staff Housing	1918		1	2,746
1173		Staff Housing	1918		1	2,746
1174		Outleased Housing	1918		1	3,641
1175		Outleased Housing	1918		1	3,641
1176		Outleased Housing	1918		1	2,746
1181		Cwt Housing	1918		1	3,214
1183		Cwt Housing	1918		1	2,752
1184		Cwt Housing	1918		1	2,752
1185		Cwt Housing	1918		1	2,752
1186		Cwt Housing	1918		1	2,752
CAM		CBOC	1999		1	13,507
CC		Connecting Corridors	1935		1	38,300
CU		Credit Union	1993		1	1,500
T5		A&MM Admin.	1993		1	2,400

Seismic Considerations

Veterans Health Administration (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. A moderate low rating indicates that seismic rehabilitation is not required for existing buildings. According to VA's Seismic Design

Requirements Report of 2005, the Perry Point campus is located in an area of the country that is rated by VA as a "moderate low" seismic zone.

Facilities Condition

The majority of buildings on campus were constructed during the 1920 to 1940s, although several buildings housing mental health functions, research, and a clinical addition were built in the last fifteen years The buildings have received ratings between 2.8 and 4.8 on a scale of "5" for critical values such as accessibility, code, and functional space.[2] Definitions of the ratings are as follows: "5" is best, "3" is average, and "1" is poor. The extent of renovation varies by building.

While all buildings on campus are well maintained, the useful life of many of these building for providing clinical services has been exceeded. The floor-to-floor heights and floor plate configurations severely restrict the ability to renovate them in a manner which achieves the modern, safe and secure definitions as defined in this study. Upgrades to comply with current VA standards and applicable building codes will be necessary even for the buildings that received relatively high scores, since the rating covers only Life Safety code issues and not issues such as modifications to accommodate single bed rooms, private bathrooms accessible from within a patient room, and similar patient environment issues.

The campus mission for providing behavioral health and a complement of long-term care, domiciliary with some acute and ambulatory care services will best be accommodated through consolidating similar and related services within a few closely related buildings on the campus. The most urgent need is for replacement of the existing nursing home, Building 9H (its average assessment score is 2.8). Specifically, Building 9H scored lowest on privacy issues. While it was evaluated at 4.0 for code issues, Building 9H scored poorly on layout, adjacencies and accessibility issues. However consolidation of behavioral health services to accommodate these patients in buildings of similar age is also needed. The location of buildings to accommodate these functions is critical to avoid placement that will limit future campus flexibility.

A consolidated campus would mean that a significant proportion of the current campus would be available for reuse. Agreements for vehicular traffic, waterfront access and utility easements are required to accommodate overall VA campus flexibility into the future. Phasing of the renovation sequence for options that involve significant sustained use of existing buildings will be complex due to the existing array of departments in multiple buildings across the campus.

The campus is nearly self-sufficient from a utilities and logistics perspective. Except for steam, all utilities have been upgraded in the past ten years. A $1.2 million project to replace the switchgear equipment was recently completed. There are firehouse, security, credit union, warehouse buildings, and a water purification plant within the boundaries. Electrical power and other utilities are provided by municipal or private sources.

[2] Ibid.

Environment[3]

Overall assessment of the severity of the environmental constraints is limited due to the gaps in the environmental data. The impact to the site due to past site operation, discharges of hazardous substances, and on-site treatment and disposal requires additional assessment.

According to Mr. William Hoyle of the VAMC, a comprehensive asbestos survey was completed in the early 1980s. Due to a number of factors, most of the data and the report is missing or destroyed. The lead-based paint data is in similar condition. Mr. Hoyle stated that based on his knowledge of the reports, asbestos and lead-based paint are present in all but the most recently constructed buildings.

Cecil County is listed as a Moderate Radon Potential Zone. Existing or proposed buildings with planned basements should be tested.

The facility operated the Woodlawn landfill until 1972. No record of disposal activities exist related to the landfill; however, various records indicate that waste, oil, asbestos, solvents, incinerator ash, paint waste, and other materials were in the landfill. Evidence was observed in the VAMC files that a portion of the landfill site remains on VAMC property.

The surficial aquifer in the site area is unconfined and consists of unconsolidated sediments. Shallow water may be unsuitable for potable purposes based on site activities and proximity to the brackish water of the Chesapeake Bay. Potable wells were identified in the area; however, specific information on well construction was not available. Due to the glauconite present in the lowland deposits, elevated levels of naturally occurring arsenic may be present in the sediment.

The site has frontage on the Susquehanna River, Chesapeake Bay, and Mill Creek. The Susquehanna River is classified by the US Fish and Wildlife Service as a riverine tidal water body and the Chesapeake River and Mill Creek as estuarine subtidal bodies of water. No wetlands are mapped on site; however, wetlands are mapped off site at the head of Mill Creek.

The Soil Survey of Cecil County indicates that an approximately 1,200-foot long fringe of tidal marsh is located on site along the river's edge and at the mouth of the Mill Creek.

Outleased Areas/Use Agreements[4]

The following existing use agreements are in place. Each use agreement may be terminated with 30 to 60 days notice by either party. A summary of the agreements is provided below.

- Five of the houses in the village housing complex are leased under a use agreement to Dr. Gerard Kelly on behalf of Chesapeake Health Education Program (CHEP). The use is for

[3] Source: S&S Construction/ACG Joint Venture Report, *Technical, Financial and Legal Assistance and Support for Property Re-use/Redevelopment Plans, Phase 1 Report, Data Collection and Planning Analysis, VA Medical Center, Perry Point, MD.*

[4] Ibid.

independent housing for homeless veterans. The use agreement is dated July 1, 2004 with a term through June 30, 2009. Consideration is $1 per year plus operational support and any renovation expenses necessary to bring the buildings in compliance with the Uniform Building Code. The agreement may be terminated by either party upon 30 days notice.

- Thirty-five of the houses in the village housing complex are under an interagency agreement with AmeriCorps National Civilian Community Corps for housing AmeriCorps volunteers and the volunteers for a woman's veterans group. The use agreement is dated October 1, 2004 with a term through September 30, 2005. Consideration is $196,308.84 for the year ($467 per house per month). The lease may be terminated by either party upon 60 days notice.
- Buildings 5, 14, and housekeeping quarters 1101 and 1158 are leased under a use agreement with and activities of the U.S. Public Health Service. The use agreement is dated February 12, 1948 with no stated term of expiration. Consideration includes the cost of utilities, services, supplies, maintenance, and repairs. The agreement may be terminated by either party upon 30 days notice.
- A portion of Building 59 is leased under a use permit with the U.S. Postal Service. The building is used for Post Office services and activities. The use permit is dated May 1, 2004 with a term through April 30, 2009. Consideration is $604.53 for utilities each month. The permit may be revoked by VA at any time.
- A portion of Building 59 is leased under a use license with the Perry Point Federal Credit Union. The building is used for credit union services and activities. The use license is dated January 1, 1993 with a term through December 31, 2008. Consideration includes the monthly cost of utilities including electric, water, sewage, trash collection, and snow removal. The license may be revoked by VA upon 30 days notice. A supplement to this agreement dated February 12, 1948 provides for the additional use of Building 13. The same terms apply to the supplement as the original agreement.
- Fire and emergency services are supplied by the Perry Point campus to the surrounding community at times of need. Although an agreement has not yet been provided, the other government contractor understands that a sharing agreement is in effect with the local and county government that provides that VA may offer these services to the community.

Title, Easements, Rights of Way[5]

No known title report has been issued for the subject property in the past. A copy of the deed indicates that the federal government has owned the property since 1918.

Various easements are granted on the property, as identified below:

- A use access easement was granted in October of 1936 to the Philadelphia, Baltimore, and Washington Railroad Company for an approximately two-acre parcel at the northern line of the property

[5] Ibid.

- A 44-acre access and use easement along the coastline that will be part of the Lower Susquehanna Heritage Greenway Trail, a pedestrian walking trail along Perry Point's coast. (This easement was in the proposal stage as of January 2005.)

Current and Forecast Investment Requirements

To address its on-going mission, the Perry Point campus is in need of modernizing the existing facilities and effectively managing the use of vacant space on its property. Known plans for the campus as of the date of this report include the following:

- A new nursing home is planned to replace an outdated existing structure. The timeline for construction is yet to be determined. A location has been tentatively proposed across from the existing nursing home.
- Ten single-family houses (quarters) will be demolished. VA condemned these houses and plans to raze them.

Beyond these actions, capital repairs and on-going maintenance estimates for future years were not available.

Summary of Current Surplus/Vacant Space

According to VA's capital asset inventory (CAI) database, Perry Point contains approximately 1,312,900 BGSF of space, with about 39,800 BGSF of vacant space on the campus. Campus space requirements for the planning horizon of 2023 indicate a need of 1,159,000 BGSF. This equates to a decrease in space needs of about 12%.

There are several vacant small single family residences located in "the village" on the western portion of the site. The majority of these units are leased to a single tenant, as previously described. The remaining residential units are occupied by VA patients.

Re-Use

This section describes the real estate market and re-use potential of the Perry Point campus.

Real Property[6]

This section provides an overview of the current real estate market and key demographic variables that drive demand in the various real estate sectors. It must be noted that in the Perry Point/Cecil County area, there is limited published data available regarding the real estate market. To develop the necessary data, the other government contractor conducted a series of interviews with the local government and economic development divisions, local real estate brokers and developers, and local financial institutions. Data from these interviews was supplemented with information from recent property sales to develop an inventory of comparable

[6] Ibid.

properties currently on the market. In addition, the Perry Point campus is located on the waterfront, which generally has a significant effect on property value.

Hospitality

In Cecil County, hotels and motels tend to be clustered along the Interstate 95 corridor, drawing business from highway travelers. Because there is not a large corporate presence in Cecil County, the availability of full service hotels is minimal. The hotels servicing the market area generally consist of low- to moderately-priced limited service franchises.

Occupancy varies by season. During peak season (summer months), the hospitality properties are operating at or near capacity. Specific occupancy rates were not available. Interviews with hotel operators did not provide average daily rates. However, rack rates were obtained and range from $60 to $100 per room, with variations based on type of facility, the facility size, flags (hotel brands), and target market.

Industrial

Demand for industrial property is driven primarily by access to major highway routes and interstates. Distribution centers constitute the highest demand in Cecil County due to the availability of large areas of land with access to highways and interstates. Of the approximate 3.5 million square feet of industrial developments in the market, two-thirds constitute distribution centers. Demand in this sector may soon reach a slowing point as the supply of semi-skilled workers needed to support the industry reaches capacity.

The demand for flex property is growing. Flex property has been the most successful and most abundant type of industrial space in the Harford and Baltimore County markets and is beginning to develop a presence in Cecil County as well. The flex properties that have been introduced in Cecil County have been very successful, and it is expected that this type of product will grow in demand.

In Cecil County, vacancy rates for industrial/warehouse property are approximately 12% to 13%. Flex property has a slightly lower vacancy of around 10%. In both cases, occupancy approaches stabilized levels.

Rental rates range from $8.00 to $11.00 per square foot (PSF), triple net[7] for flex space and from $4.00 to $7.00 PSF triple net for industrial/warehouse space. Rates vary with location, with properties in proximity to highway and rail transportation achieving slightly higher rents. The structure of expense payments also affects rental rates, although most rents are quoted in triple net terms in the market area.

[7] A lease where the tenant is solely responsible for all of the costs relating to the asset being leased. Examples are utilities, insurance, taxes, and maintenance costs.

Institutional

Institutional properties are typically built on demand and specific to the needs of that institution. Therefore, there is not an existing supply of existing institutional properties from which to draw a "supply" analysis. A four-year university is not currently present in Cecil County, although officials are hoping to attract one. Cecil Community College is the fastest growing community college in Maryland. Enrollment has grown by 35% over the past three spring semesters. The continuation of this trend will necessitate a need for expansion. In addition, interviews with market participants revealed that several educational institutions are exploring the possibility of expanding in the Cecil County market area.

Office

The supply of office space in Cecil County is relatively low compared with surrounding areas. Because the county does not have a large number of corporate employers, high caliber or Class A office space is not prevalent in the local market. Although officials in Cecil County are working to attract corporate employers to Cecil County, the office market is currently small and remains clustered around the Elkton area.

In addition, there is not presently a high demand for corporate office space in Cecil County because of limiting factors such as geography, highway tolls, and noncontributing urban markets. The county's efforts to attract corporate employers may eventually lead to an increase in corporate demand for office space. However, the present market is more localized, relying on demand from law firms, banks, and other local small businesses.

According to market area brokers, vacancy rates range from 12% to 14% in office properties that are available in Cecil County. This is slightly higher than Baltimore County, where vacancy is typically 10% to 12%. Office space is typically on the market a year or more before it is occupied because there is not depth to the range of possible tenants.

Rental statistics are not available in Cecil County because there is a limited supply of office space and an unsophisticated office market. Commercial brokers report rental rates ranging from $10.00 to $12.00 PSF for shell space and up to $22.00 PSF for finished space.

Residential

Single-Family

Demand for single family residential is currently high in the market area. Metropolitan Regional Information System (MRIS) industry statistics report the period from listing to sale to be within a median time of one to 30 days in 2004. More than 50% of homes listed in the market area were sold within this timeframe. Demand is projected to increase as buyers from urban areas such as Baltimore and Wilmington continue to enter the rural market, where buying power is increased. New construction of individual houses and housing developments are prevalent in the market area, indicating robust demand relative to supply.

The 2004 sale prices represent an overall increase of approximately 17% to 18% over the 2003 sale prices. The increases in sale prices are in addition to the increased number of sales.

Multi-Family

Multi-family housing includes apartments and condominiums. According to brokers, there is active construction of apartments and condominiums in the market area indicating that demand outstrips market supply.

Demand for multi-family units is currently high in the market area. MRIS industry statistics report sales of condominiums within a median time of one to 30 days from listing in 2004. More than 50% of units listed in the market area were sold within this timeframe. Demand is projected to increase as buyers from urban areas such as Baltimore and Wilmington continue to enter the rural market, where available housing is relatively inexpensive.

According to market listings, rental rates range from $600 to $800 per month for a one-bedroom unit.

According to MRIS data, the average sale price for condominium units in 2004 was $179,002 per unit in Cecil County and $126,933 per unit in Harford County. These prices reflect increases over 2003 sale prices, where sale prices increased by approximately 40% in Cecil County and 20% in Harford County over the past year.

Senior Housing

Brokers interviewed have been contacted by investors looking for 20- to 30-acre parcels on which to build senior housing. On average, the Department of Planning receives one to two phone calls per month from developers seeking to build senior care and senior housing facilities. Developers include the Bainbridge Development Corporation, which is currently negotiating the possibility of developing assisted living facilities on a portion of the Bainbridge site that contains historic properties. Additionally, Paul Risk Associates is attempting to develop an alternative living facility on property owned in Port Deposit, MD. Port Deposit is a small community located approximately six miles north of Perryville on the Susquehanna River.

Occupancy is high in Cecil County, with the majority of facilities fully occupied. Representative of the area is Cecil Woods, a mobile home park exclusively housing persons age 55 or older which is currently at 99% capacity.

Market listings for senior apartments range from $500 to $600 per month, and assisted living facilities range from $2,500 to $3,000 per month.

Retail

Retail markets are primarily driven by population growth and consumer demand. Cecil County retail markets include a mix of the various types of retail establishments outlined above. As

population steadily increases and new housing development is built, retailers are drawn to the market in support of the increasing demand.

There is demand for retail land for all types of development. Population and household growth throughout the market region has led to an increased demand for local retail such as community shopping centers. According to the Cecil County Office of Economic Development, regional retailers face competition from surrounding markets. Residents from Cecil County often travel to the Christiana Mall in Delaware or the White Marsh Mall in Baltimore County for their retail needs. Proximity to Delaware provides an incentive for Cecil County residents to travel to the state where they can purchase large items free of sales tax. Cecil County promotes programs to counter these incentives; however, demand remains highest in local retail sectors.

Because many retail establishments are community based, occupancy varies. Published data is not available for this market area.

Rental statistics are unavailable in Cecil County. Rental rates in the Baltimore Metropolitan market range from $10.00 to $16.00 PSF net according to market reports compiled by NAI KLNB, Inc.[8] Grocery store rentals are slightly higher at $12.00 to $18.00 PSF net.

Regulatory Environment[9]

There are various aspects of the regulatory and legal environment that may affect the VAMC campus. These influences are discussed below.

Local Zoning

The Town of Perryville has a zoning ordinance in place. However, the Perry Point VAMC is federal property and is not subject to the local zoning ordinances. Any private development on leased federal property will need to negotiate with the local municipality for some level of service.

Perryville's Comprehensive Plan encourages development and is designed to support business and residential growth. In the local market, there is significant available land zoned for industrial, commercial, and multi-family residential use with large parcels.

Environmental Constraints

Federal development of the land area located between the Chesapeake Bay and Avenue "A" (where most of the VAMC buildings are located) may not require any environmental approvals. However, according to the Federal Emergency Management Agency (FEMA), this area is part of Flood Zone A12 which is an area of 100-year flood where the base flood elevation has been

[8] Full service commercial real estate brokerage firm

[9] Source: S&S Construction/ACG Joint Venture Report, *Technical, Financial and Legal Assistance and Support for Property Re-use/Redevelopment Plans, Phase 1 Report, Data Collection and Planning Analysis, VA Medical Center, Perry Point, MD.*

determined to be at elevation 12 feet. If any development is located in the wetlands or wetlands buffers, it would require approval from the Maryland Department of the Environment. Development on that land area would have to comply with the elevation and flood proofing requirements of the National Flood Insurance Program.

If any waterfront areas of the site are sold, the critical area regulations would apply to development within 1,000 feet of the high tide line of Chesapeake Bay and its tributaries and tidal wetlands. Development in the critical area[10] would require a variance to be obtained from the Critical Areas Commission.

Due to the presence of a breeding bald eagle's nest on site, any development at or near the nest would require approval from the United States Fish and Wildlife Service and the Maryland Department of Natural Resources.

Key Observations from Other Government Contractor[11]

Perryville is classified as a Priority Funding Area by the State of Maryland and Cecil County. This classification brings capital investments, grant programs, and loan programs for projects in Perryville. Incentives are designed to attract local business, including state income tax credits and various financial assistance programs.

The VAMC property is also being affected by influences from the greater market area. Competing development may be a factor in nearby towns such as Port Deposit and the Aberdeen Proving Ground, both of which have also been targeted for economic growth and have government involvement in their redevelopment and reuse efforts.

- Port Deposit: The former Bainbridge Naval Center was annexed by the Town of Port Deposit. The Bainbridge site includes 1,250 acres of cleared property zoned for mixed residential, commercial, and industrial use.
- Aberdeen Proving Ground: In 2004, the U.S. Army awarded a 50-year ground lease (Enhanced Use Lease) to develop 200 acres of the Aberdeen Proving Ground Military Reservation for a two million square foot high-tech research center.

The Town of Perryville and Cecil County also have specific economic development sites.

Potential for Non-VA Re-use/Redevelopment

Figure 3 illustrates the parcels of land on the current Perry Point campus. (Note that these parcels will be referenced in the BPO Development section of this report and in the corresponding re-use options for assessment in Stage I.) Parcels have been identified as discrete

[10] Critical area means the Chesapeake Bay Critical Area and all lands an waters defined in Natural Resources Article, 8-1807, Annotated Code of Maryland

[11] Source: S&S Construction/ACG Joint Venture Report, *Technical, Financial and Legal Assistance and Support for Property Re-use/Redevelopment Plans, Phase 1 Report, Data Collection and Planning Analysis, VA Medical Center, Perry Point, MD.*

portions of the campus with relatively unique characteristics based on location, topography and, importantly, re-use/redevelopment potential. For Perry Point, six parcels are identified on the site plan below.

Figure 3: Map of Campus Parcels

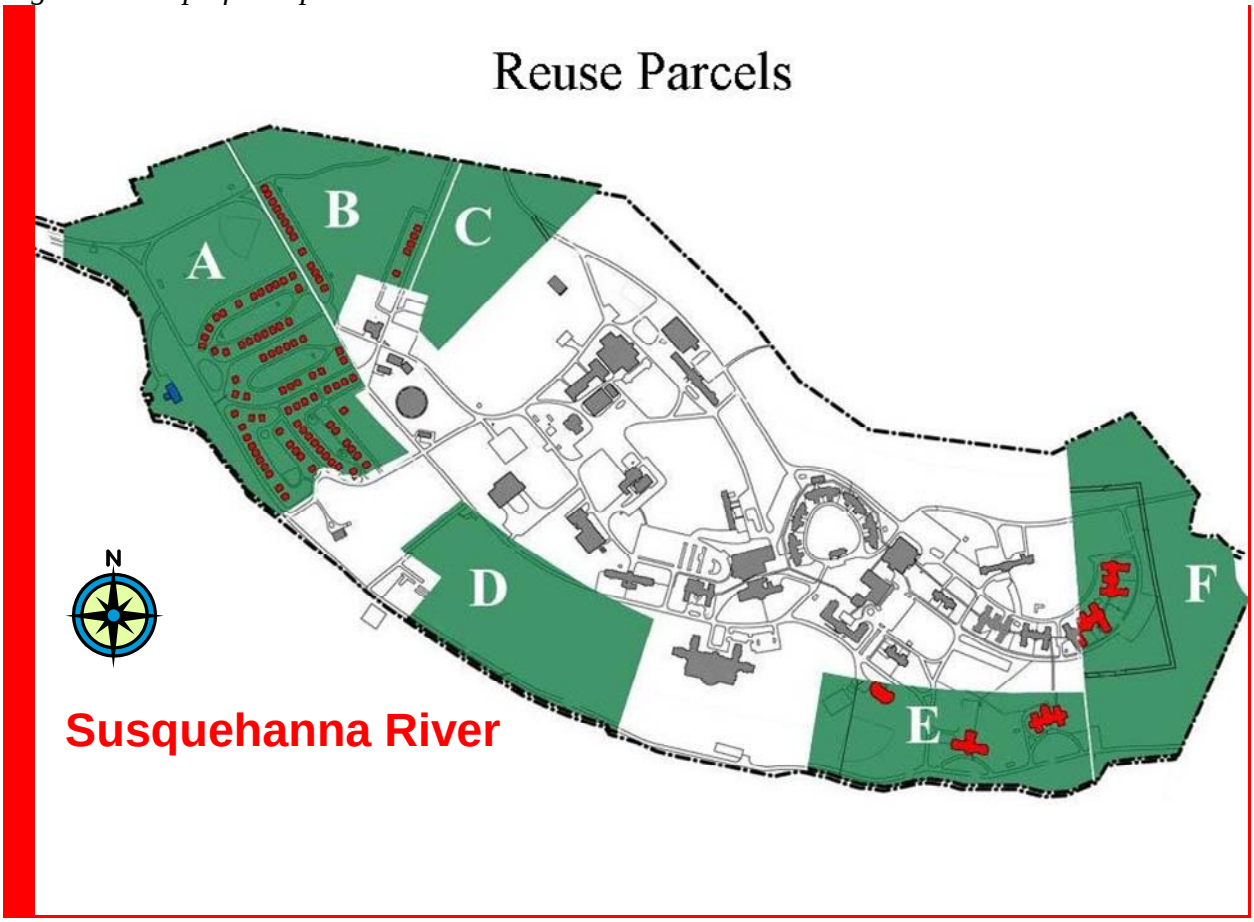


Table 2 identifies the parcels for potential re-use. The parcels have been identified based on both the existing vacant land of the Perry Point campus and the changed footprint of the campus structures based on implementation of the capital planning options prepared by Team PwC.

Table 2: Re-use Options, Perry Point

Name	Description	Acreage	Re-use Potential
Parcel A	Northwest parcel that contains the housing village and 23 beds	58	Hospitality, industrial, institutional, residential
Parcel B	Northern vacant parcel that is primarily a wooded area with a limited number of support buildings	24	Hospitality, industrial, institutional, residential
Parcel C	Northern parcel that currently houses a few support buildings but is primarily vacant land	16	Hospitality, industrial, institutional, residential
Parcel D	Southern vacant waterfront parcel	29	Hospitality, industrial, institutional, residential
Parcel E	Southern waterfront parcel that requires current use buildings to be	26	Hospitality, industrial, institutional, residential

Name	Description	Acreage	Re-use Potential
	vacated		
Parcel F	Eastern waterfront parcel that requires current use buildings to be vacated	41	Hospitality, industrial, institutional, residential

Based upon the preliminary high-level research and analysis performed, the following non-VA re-uses and redevelopment opportunities are identified for the Perry Point VAMC[12]:

- Hospitality: A resort, retreat, a bed and breakfast, or a small waterfront-oriented resort are all possible uses.
- Industrial: Flex or a warehouse/distribution center is supported by market demand.
- Institutional: Educational uses include a satellite campus for an existing regional university or college, or a laboratory or facilities for a medical education program. Possible medical care uses include emergency services or an outpatient clinic serving the needs of the community.
- Residential: Senior housing, assisted living facilities, and multi-family developments are possible uses. Note that this assumes rental units, not-for-sale housing (consistent with transfer of the leasehold estate under an enhanced used lease transaction).

Eliminated from further consideration are office and retail uses. Market demand for these segments is not evident. Further, the physical characteristics of the VAMC property decrease desirability of the property for these uses.

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 Perry Point facility. The following section describes these long-term trends for veteran enrollment and utilization for healthcare services at the Perry Point VAMC.

Enrollment Trends

The Perry Point VAMC is located in the Baltimore market of VISN 5. The Baltimore market contains 105,648 enrolled veterans. As can be seen in Table 3, over the next 20 years, the number of enrolled veterans in Priority Groups 1-6 (veterans with the greatest service-connected needs) is expected to decrease by 4%, from approximately 49,000 to approximately 47,000, while enrollment for Priority 7-8 veterans is projected to decrease by 44% for the same period. The enrollment forecast for Priority 7-8 veterans assumes an annual enrollment fee, and the continued freeze on new Priority 8 enrollment.

[12] Ibid.

Table 3: Projected Veteran Enrollment for Baltimore Market by Priority Group

Fiscal Year	2003	2013	% Change (2003 to 2013)	2023	% Change (2003 to 2023)
Priority 1-6	48,611	53,900	11%	46,554	-4%
Priority 7-8	21,060	13,174	-37%	11,757	-44%
Total	**69,671**	**67,074**	**-4%**	**58,311**	**-16%**

Utilization Trends

Utilization was analyzed for those CARES Implementation Categories (CICs) for which the Perry Point facility has projected demand. It should be noted that the demand for domiciliary and mental health services at the Perry Point VAMC is driven by regional and national referrals in addition to local veteran populations.

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.

Considering overall demand for inpatient and outpatient services (Table 4), inpatient bed demand is expected to increase 7% and outpatient clinic stops (including radiology and pathology) are expected to increase 22% over the 2003 to 2023 time horizon.

Table 4: Inpatient and Outpatient Utilization Summary Table - Perry Point

Perry Point	2003 Actual	2013 Projected	2023 Projected	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Total Inpatient Beds	470	514	501	9%	-3%	7%
Total Clinic Stops[13]	155,922	199,629	190,594	28%	-4%	22%

These trends are further described below.

Inpatient medicine and observation utilization (Table 5) is projected to increase 75% from 16 beds in 2003 to 28 beds in 2023. Demand for other VA mental health inpatient programs beds is expected to increase by 11% over the 2003 to 2023 period, while psychiatry and substance abuse beds are projected to remain constant at 5. Due to a VA planning decision, the VISN will maintain the nursing home beds at 170 through 2023. Domiciliary bed need is projected at 101 beds from years 2005 to 2023, accounting for domiciliary utilization moving from Fort Howard to the Perry Point campus.

Table 5: Projected Utilization for Inpatient CICs for Perry Point

CIC	2003 Actual Beds	2013 Beds Needed	2023 Beds Needed	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Medicine & Observation	16	31	28	94%	-10%	75%
Psychiatry & Substance	5	5	5	NA	NA	NA

[13] Total clinic stop volume includes Radiology & Pathology data.

Abuse						
Other: VA Mental Health Inpatient Programs	178	207	197	16%	-5%	11%
Nursing Home	170	170	170	NA	NA	NA
Domiciliary	101	101	101	NA	NA	NA
Total	**470**	**514**	**501**	**9%**	**-3%**	**7%**

Considering outpatient trends (Table 6), there is a significant (23%) increase in the overall demand for ambulatory services over the forecast period. Primary care and related specialties are projected to increase 15% over the 2003 to 2023 period.

There are large increases projected for some specialty ambulatory care services, reflecting the healthcare needs of an aging veteran population. There are significant increases indicated for the following specialty ambulatory care services:

- Cardiology
- Eye clinic
- Non-surgical specialties
- Urology

There are small decreases indicated for orthopedics and surgical and related specialties projected for 2023 as compared to 2003. Due to a VA planning decision, demand for rehabilitation medicine remains constant over the forecast period.

Table 6: Projected Utilization for Ambulatory CICs for Perry Point

CIC	2003 Actual Stops	2013 Projected Stops	2023 Projected Stops	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Cardiology	2,408	7,052	7,193	193%	2%	199%
Eye Clinic	2,544	5,160	5,487	103%	6%	116%
Non-Surgical Specialties	2,156	3,266	3,306	51%	1%	53%
Orthopedics	2,982	2,801	2,880	-6%	3%	-3%
Primary Care & Related Specialties	17,232	20,412	19,798	18%	-3%	15%
Rehab Medicine	27,235	27,235	27,235	NA	NA	NA
Surgical & Related Specialties	3,586	3,584	3,543	0%	-1%	-1%
Urology	982	3,047	3,294	210%	8%	235%
Total	**59,125**	**72,557**	**72,736**	**23%**	**NA**	**23%**

Considering the expected utilization of outpatient mental health services (Table 7), demand for several categories of care will increase substantially over the forecast period. There are increases indicated for the following outpatient mental health services:

- Homeless
- Mental health intensive case management
- Work therapy
- Day treatment

In contrast, the demand for behavioral health and community mental health residential care services are projected to decline between 2003 and 2023.

Table 7: Projected Utilization for Outpatient Mental Health CICs for Perry Point

CIC	2003 Actual Stops	2013 Projected Stops	2023 Projected Stops	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Behavioral Health	43,048	28,395	28,686	-34%	1%	-33%
Community MH Residential Care	1,822	1,791	1,242	-2%	-31%	-32%
Day Treatment	0	2,355	1,636	NA	-31%	NA
Homeless	954	4,609	3,789	383%	-18%	297%
Mental Health Intensive Case Management (MHICM)	6,024	10,156	8,013	69%	-21%	33%
Work Therapy	19,224	30,106	23,465	57%	-22%	22%
Total	**71,072**	**77,412**	**66,831**	**9%**	**-14%**	**-6%**

These are the VA outpatient mental health programs for which there is no private sector benchmark. These increased utilization projections reflect assumptions used in the development of the VA Mental Health Strategic Plan. Some areas in which refinements were made include:

- Utilization rates for special mental health programs begin at current actual rate and are brought up to the nationwide 85th percentile utilization rate by fiscal year 2012
- Age cohort adjustments to reflect anticipated increased use of certain mental health services by aging veterans from Vietnam and later eras
- Expanding outpatient mental health programs to reflect a recovery model

In summary, the analysis of the projected enrollment and utilization data highlights several opportunities and challenges for the Perry Point campus. Opportunities exist to address the market need for inpatient medicine and inpatient mental health services as well as outpatient services for an aging veteran population, such as cardiology, eye clinic, orthopedics, urology, and mental health.

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 Perry Point campus currently has surplus space to accommodate the projected utilization of services. However, it is expected that some of this surplus building stock will not be cost effective to retrofit to a modern, safe, and secure environment.

5.0 Business Plan Option Development Approach

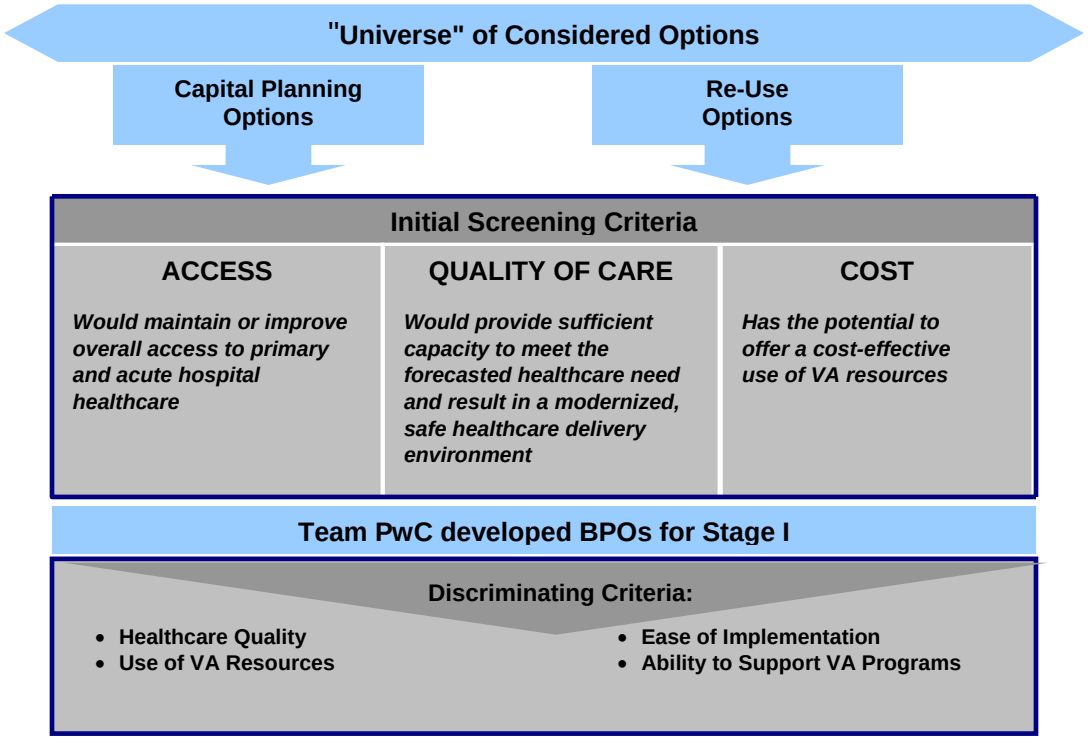
Options Development Process

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 capital planning

options and associated re-use plans. Each capital planning option that passed the initial screening served as a potential component of BPOs. A review panel of experienced Team PwC consultants, including 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 4: Options Development Process



Initial Screening Criteria

Discrete capital planning options were developed for the Perry Point Campus 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* – No capital planning study sites involve relocation of healthcare services unless directed by the Secretary's Decision Document, May 2004. If relocation of healthcare services is directed by the Secretary, the relocation would be reflected in the baseline BPO. Although the baseline BPO may result in a change to access from the current state, the CARES methodology states that all options should be compared to the baseline BPO. Therefore, access should be maintained for all capital options as

compared to the baseline. Drive-time analysis was not performed to measure impact on access to care for capital planning study sites.

- **Quality of Care:** *Would provide sufficient capacity to meet the forecasted healthcare need and result in a modernized, safe healthcare delivery environment that is compliant with existing laws, regulations, and VA requirements* – This was assessed by consideration of whether the option provides sufficient capacity (space) to meet the CIC workload requirements. Additionally, the physical environment proposed in the option was considered 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.

- **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[14] failed this test.

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:

  - If the BPO can ensure the forecasted healthcare need is appropriately met.
  - Whether each BPO will result in a modernized, safe, and secure healthcare delivery environment.

- **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.

[14] 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.

  - 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 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 baseline 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 planning 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 estimate 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

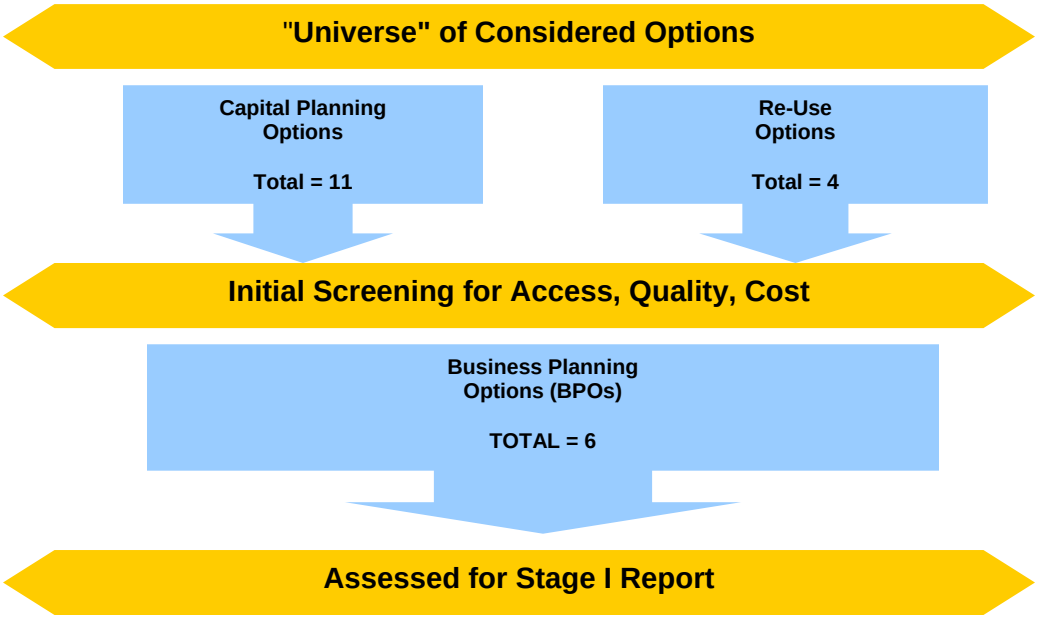
The individual capital planning and re-use options that passed the initial screening were further considered as options to comprise a BPO. A BPO is defined as consisting of a single capital option and its associated re-use option(s)[15]. Therefore, the formula for a BPO is:

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

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

[15] In Stage I, re-use options are described in terms of available re-use parcels, their potential re-use (residential, office, etc.), and their potential re-use value (high, medium, low).

Figure 5: Final Screening Results of Alternate BPOs



Options Not Selected for Assessment

Six additional capital options created during the option development process did not pass the initial screening criteria. These are listed in the table below, together with an explanation for their rejection.

Table 8: Capital Options Not Selected for Assessment

Label	Description	Screening Results
Renovate the nursing home (Building 9H) and build a new behavioral health building	Renovate Building 9H, which is one of the two buildings that house the nursing home patients, and build a new behavioral health building	Option was rejected because the renovated nursing home will not fully address the Secretary's decision, which is to build a replacement nursing home, it will not provide adequate beds to meet forecasted demand, and significant risk with the need to contract out beds during the renovation may exist.
Renovate the nursing home (Building 9H) and build a new domiciliary	Renovate Building 9H, which is one of the two buildings that house the nursing home patients, and build a new domiciliary building	Option was rejected because the renovated nursing home will not fully address the Secretary's decision, which is to build a replacement nursing home, it will not provide adequate beds to meet forecasted demand, and significant risk with the need to contract out beds during the renovation may exist.

Label	Description	Screening Results
Move All Facilities to the East of the Site	Move all facilities to the eastern portion of the site.	Option was rejected because VA would lose control of the infrastructure, utilities, water, and vehicular access to the site.
Move All Facilities to the West of the Site	Move all facilities to the western portion of the site.	The option was rejected because of capital costs and the impact on security caused by the need for access to get to the re-use property.
Move all services offsite	Move all VA services offsite and contract all services.	Option was rejected because it was beyond the scope of the Secretary's CARES Decision document.

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 changes in either the location or type of services provided at the Perry Point campus. In the baseline BPO, the Secretary's May 2004 Decision and forecasted long-term healthcare demand forecasts and trends, as indicated by the demand forecasted for 2023, are applied to the existing healthcare provision solution for the Perry Point campus.

Specifically, the baseline BPO is characterized by the following:

- Healthcare continues to be provided as currently delivered, except to the extent healthcare volumes for particular procedures fall below key quality or cost effectiveness thresholds.
- Capital planning investments rectify any material deficiencies (e.g., size and condition of patient care buildings) in the existing facilities in order to provide a modern, safe, and secure healthcare delivery environment.
- Life cycle capital costs provide on-going preventative maintenance and life-cycle maintenance of existing facilities.
- Buildings and/or land that become surplus as a result of changes in demand for healthcare services and/or capital plans for facilities are made available for re-use.

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 9: Evaluation System Used to Compare BPOs to baseline BPO

Ratings to assess Quality and Ability to Support VA Programs	
↑	The BPO has the potential to provide a slightly improved state compared to the baseline BPO for the specific discriminating criteria (e.g., quality and ability to support VA programs)
↔	The BPO has the potential to provide materially the same state compared to the baseline BPO for the specific discriminating criteria (e.g., quality and ability to support VA programs)
↓	The BPO has the potential to provide a slightly lower or reduced state compared to the baseline BPO for the specific discriminating criteria (e.g., quality and ability to support VA programs)
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 compared to the baseline BPO (>5%)
↓↓	The BPO has the potential to require slightly higher operating costs compared to the baseline BPO (>10%)
↓↓↓	The BPO has the potential to require slightly higher operating costs compared to the baseline BPO (>15%)
Level of capital expenditure estimated	
↓↓↓↓	Very significant investment required compared to the baseline BPO **(≥ 200%)**
↓↓	Significant investment required compared to the baseline BPO **(121% to 199%)**
-	Similar level of investment required compared to the baseline BPO **(80% to 120% of Baseline)**
↑↑	Reduced level of investment required compared 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 compared to the baseline BPO (>1.15 times)
↓↓	Significantly higher net present cost compared to the baseline BPO (1.10 – 1.15 times)
↓	Higher net present cost compared 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 compared to the baseline (90-95% of Baseline)
↑↑	Significantly lower net present cost compared to the baseline BPO (85-90% of baseline)
↑↑↑↑	Very significantly lower net present cost compared to the baseline BPO (<85% of baseline)
Ease of Implementation of the BPO	
↑	The BPO has the potential to provide a slightly improved state compared to 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 same state as 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 compared to 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 compared to 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 "the 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 Local Advisory Panel 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 Table 10.

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 periods one and two, and this information is included in this report.

Table 10: 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 20 members of the public attended the first LAP meeting held on May 3, 2005, and approximately 60 members of the public attended the second LAP meeting held on September 27, 2005. A total of 40 forms of stakeholder input (general comments on the study as well as specific BPOs) were received between April 20 and October 7, 2005. The concerns of stakeholders who submitted general comments not related to specific BPOs are summarized in Table 11:

Table 11: Analysis of General Stakeholder Concerns (Periods One and Two)

Key Concern	Number of Comments		
	Oral	Written and Electronic	**Total**
Effect on Access	3	3	**6**
Maintain Current Service/ Facility	3	1	**4**
Support for Veterans	5	3	**8**
Effect on Healthcare Services and Providers	1	1	**2**
Effect on Local Economy	0	0	**0**
Use of Facility	8	7	**15**
Effect on Research and Education	0	0	**0**
Administration's Budget or Policies	1	0	**1**
Unrelated to the Study Objectives	4	0	**4**

6.0 Business Plan Options

The option development process resulted in a multitude of discrete 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 capital and re-use components) which passed initial screening and were developed for Stage I (see Figure 5).

Each BPO was assessed at a more detailed level according to the discriminating criteria. Each BPO examines renovating and upgrading facilities to modern, safe, and secure standards, while at the same time consolidating the footprint of the campus in order to make surplus land available for potential non-VA re-use (see Table 12).

Two additional BPOs (BPOs 7 and 8) were proposed by the LAP at the second LAP Public Meeting. These BPOs were variations of two Team PwC-proposed BPOs.

Site plans have been included for the BPOs developed by Team PwC (see Figures 6 through 10). The site plan for the baseline BPO (BPO 1) is the existing site plan (see Figure 2). The site plans are for reference only. They illustrate the magnitude of land and buildings required to meet projected utilization and are not designs.

Table12: Business Plan Options

BPO 1: Baseline
Renovation and maintenance of existing buildings for a modern, safe, and secure healthcare environment. All services currently operational at the VAMC will continue. Those services that are currently contracted to local community providers or referred to other VA facilities will continue to be contracted or referred to other VA facilities. The baseline includes an extensive renovation of nursing home buildings 9H and 14H. Building 9H, the primary nursing home, is about 80 years old and is in significant need of repair. It has an average condition assessment score of less than 3, according to VA's CAI database. During the estimated 36-month renovation, there is significant risk associated with disruption to nursing home patient care which will need to be contracted to local community providers. Once the facilities are renovated, the nursing home space that will be available will not meet the demand due to current size requirements under modern, safe, and secure standards. All demand that exceeds capacity will need to be contracted out to local community providers. Parking space around campus is considered adequate in the baseline. No parcels are made available for re-use.
BPO 2: Construct Replacement Nursing Home Facility Near Building 364 by the Waterfront
This BPO emphasizes new construction for meeting the nursing home demand on site. A replacement nursing home would be constructed due east of Building 364, the recently built psychiatric inpatient building located by the waterfront. The new nursing home will also be located by the waterfront. All other existing buildings will be renovated and maintained to achieve a modern, safe, and secure healthcare environment. Depending on the specific location chosen for new construction as well as site work, utilities, landscaping, and parking will need to be reconfigured. Parcels A, B, C, and D are available for re-use. Most of the re-use is not necessarily dependent on the start of the nursing home construction. Such potential re-uses include hospitality, light industrial, institutional, and residential (i.e., rental and/or not-for-sale housing).
BPO 3: Construct Replacement Nursing Home Facility on the North Central Portion of the Campus
This BPO is similar to BPO 2. However, it proposes placing the replacement nursing home facility on the north central portion of the campus, away from the waterfront. Depending on the specific location chosen for new construction as well as site work, utilities, landscaping, and parking will need to be reconfigured. Similar to BPO 2, Parcels A, B, C, and D are available for re-use. Most of the re-use is not necessarily dependent on the start of the nursing home construction. Such potential re-uses include hospitality, light industrial, institutional and residential (i.e., rental and/or not-for-sale housing).
BPO 4: Construct Replacement Nursing Home Facility on the Central Portion of the Campus Near Building 80
This BPO is similar to BPO 2. However, it proposes replacing the nursing home facility on the central portion of the campus away from the waterfront, in the central core of the current buildings. Depending on the specific location chosen for new construction as well as site work, utilities, landscaping, and parking will need to be reconfigured. Similar to BPO 2, Parcels A, B, C, and D are available for re-use. Most of the re-use is not necessarily dependent on the start of the nursing home construction. Such potential re-uses include hospitality, light industrial, institutional, and residential (i.e., rental and/or not-for-sale housing).
BPO 5: Construct Replacement Nursing Home Facility on the North Central Portion of the Campus; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Improve Campus Organization
This BPO is similar to BPO 3. In addition to constructing a replacement nursing home facility on the north central portion of the campus, the BPO also proposes constructing a new behavioral health building and consolidates and organizes campus services to balance proximity relationships. This also initiates the creation of a long-term master plan for the campus. Depending on the specific location chosen for new construction as well as site work, utilities, landscaping, and parking will need to be reconfigured. Parcels A, B, C, D, and E are available for re-use. Most of the re-use is not necessarily dependent on the start of the nursing home construction. Such potential re-uses include hospitality, light industrial, institutional and residential (i.e., rental and/or not-for-sale housing).

BPO 6: Construct Replacement Nursing Home Facility; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities
This BPO is similar to BPO 5. In addition to constructing a replacement nursing home facility on the north central portion of the campus, the BPO also proposes a phased relocation and demolition of aged buildings and logistical functions to consolidate the campus into the minimal area required while maintaining sufficient property for future campus flexibility. This BPO includes constructing a new domiciliary, ambulatory and acute care, research, administration, and rehabilitation and recreation buildings. Depending on the specific location chosen for new construction as well as site work, utilities, landscaping, and parking will need to be reconfigured. As compared to BPO 5, an additional parcel is available for re-use. Under this BPO, re-use/redevelopment of Parcels A, B, C, D, E, and F would be available. Such potential re-uses include hospitality, light industrial, institutional, and residential (i.e., rental and/or not-for-sale housing).
BPO 7: Construct Replacement Nursing Home Facility by the Waterfront; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities
This BPO is similar to BPO 6. However, it places the replacement nursing home facing the water on a portion of re-use Parcel E, thereby reducing the size of Parcel E. However, the size of Parcel D is increased to make it contiguous with Parcel A. Depending on the specific location chosen for new construction as well as site work, utilities, landscaping, and parking will need to be reconfigured. As compared to BPO 6, slightly less land is likely available for re-use. Under this BPO, re-use/redevelopment of Parcels A, B, C, D, E, and F would be available (with some modifications to Parcels D and E). Such potential re-uses include hospitality, light industrial, institutional, and residential (i.e., rental and/or not-for-sale housing).
BPO 8: Construct Replacement Nursing Home Facility by the Waterfront; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Improve Campus Organization
This BPO is similar to BPO 5. However, it places the replacement nursing home by the waterfront next to Building 364 and proposes constructing a new behavioral health building near Building 364. This BPO reduces the size of Parcel E and modifies Parcel D including making it contiguous with Parcel A. Depending on the specific location chosen for new construction as well as site work, utilities, landscaping, and parking will need to be reconfigured. As compared to BPO 5, less waterfront land is available for re-use. Under this BPO, re-use/redevelopment of Parcels A, B, C, D, and E would be available, with a slight modification to Parcels D and E. Such potential re-uses include hospitality, light industrial, institutional, and residential (i.e., rental and/or not-for-sale housing).

BPO Site Plans

Figure 6: BPO 2 (Construct Replacement Nursing Home Facility Near Building 364 by the Waterfront)

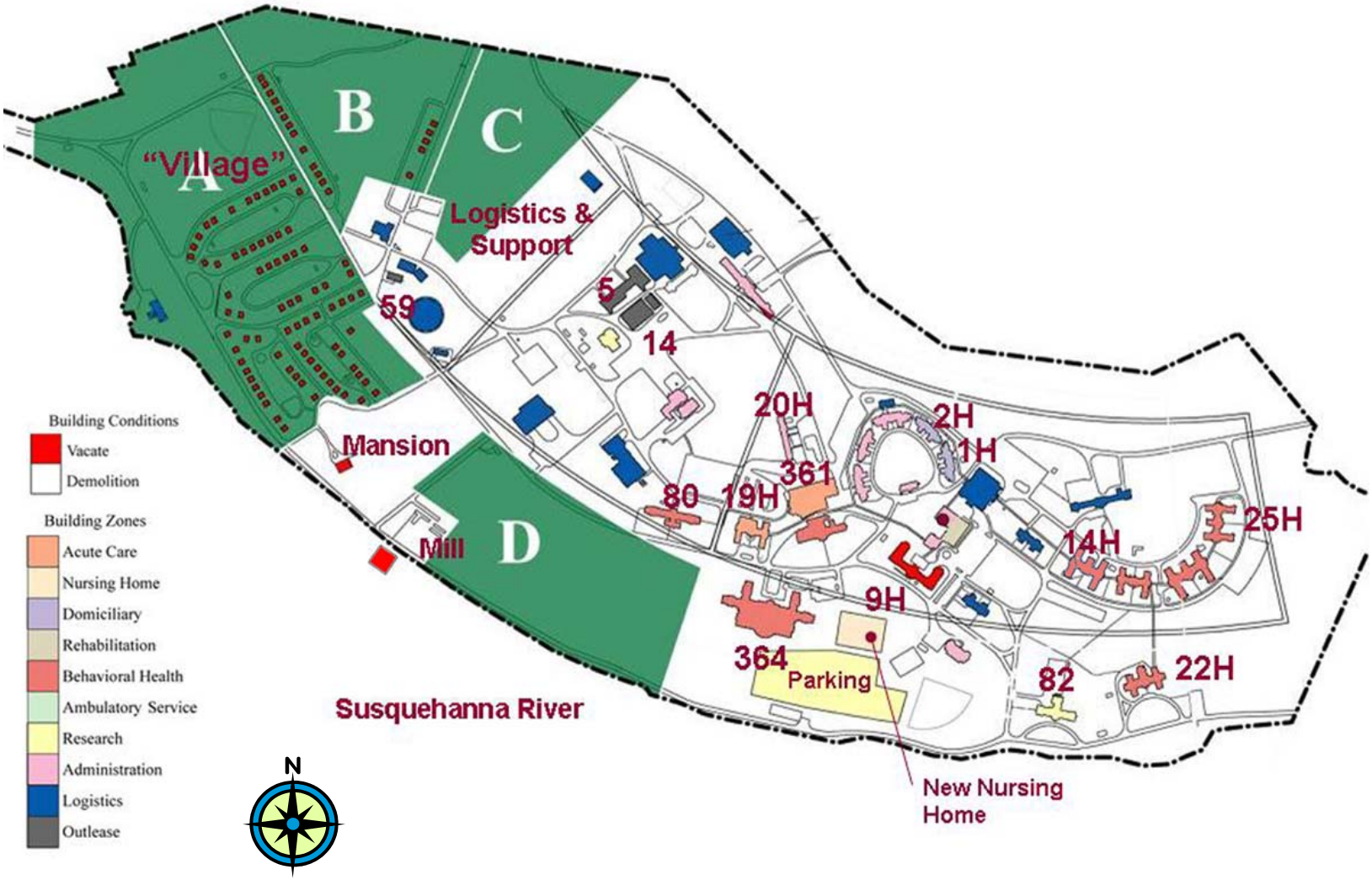


Figure 7: BPO 3 (Construct Replacement Nursing Home Facility on the North Central Portion of the Campus)

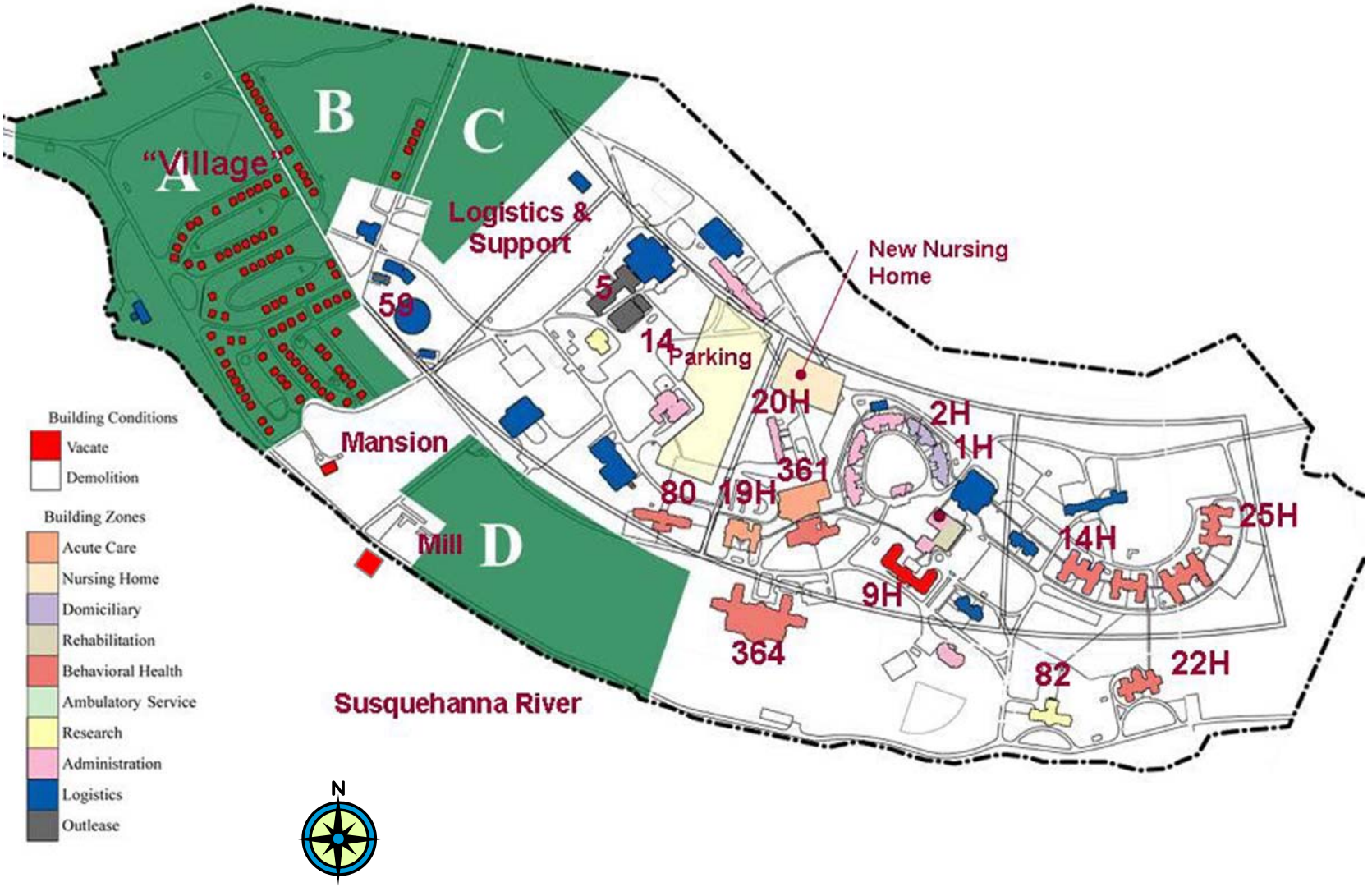


Figure 8: BPO 4 (Construct Replacement Nursing Home Facility on the Central Portion of the Campus Near Building 80)

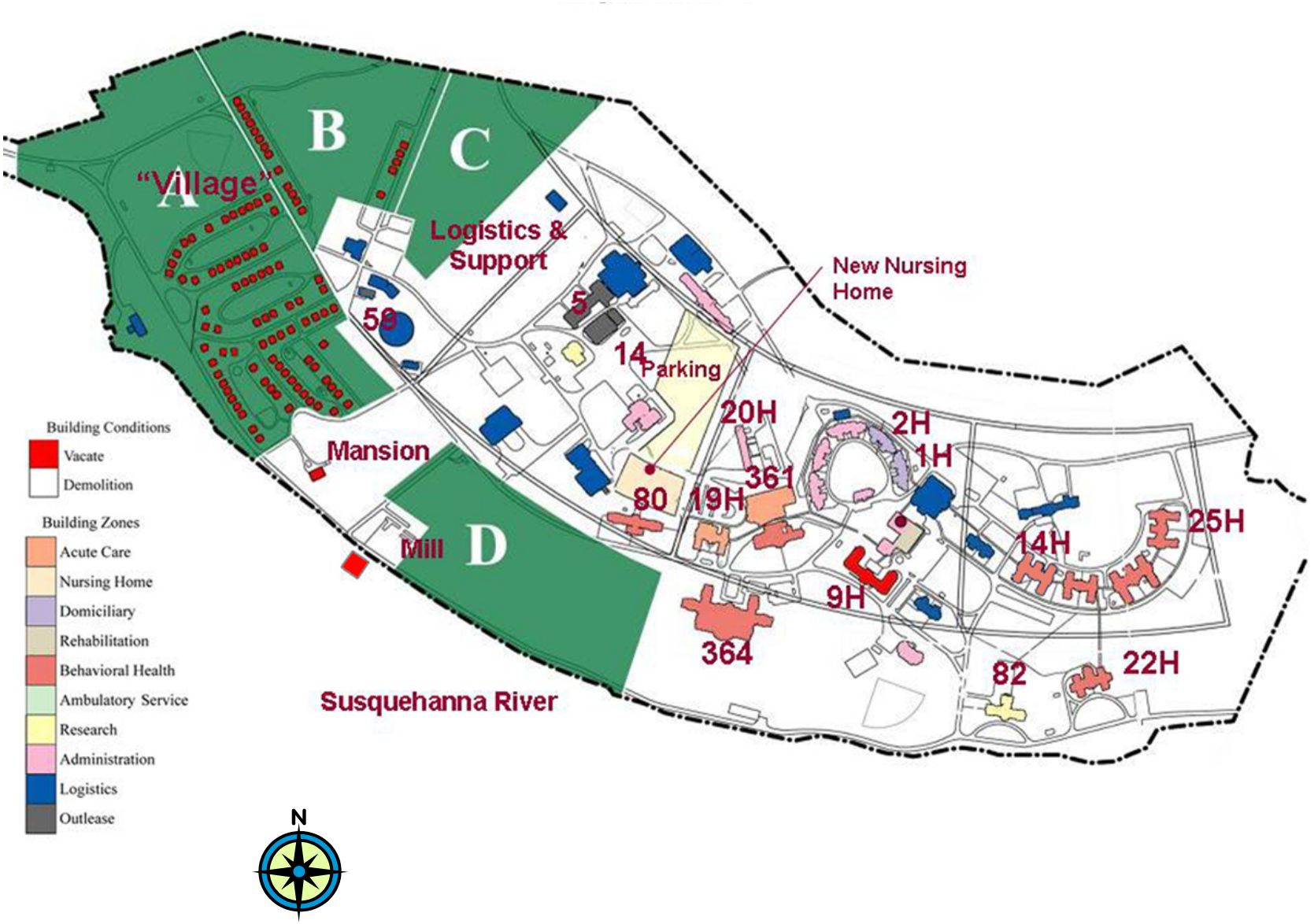


Figure 9: BPO 5 (Construct Replacement Nursing Home Facility on the North Central Portion of the Campus; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Improve Campus Organization)

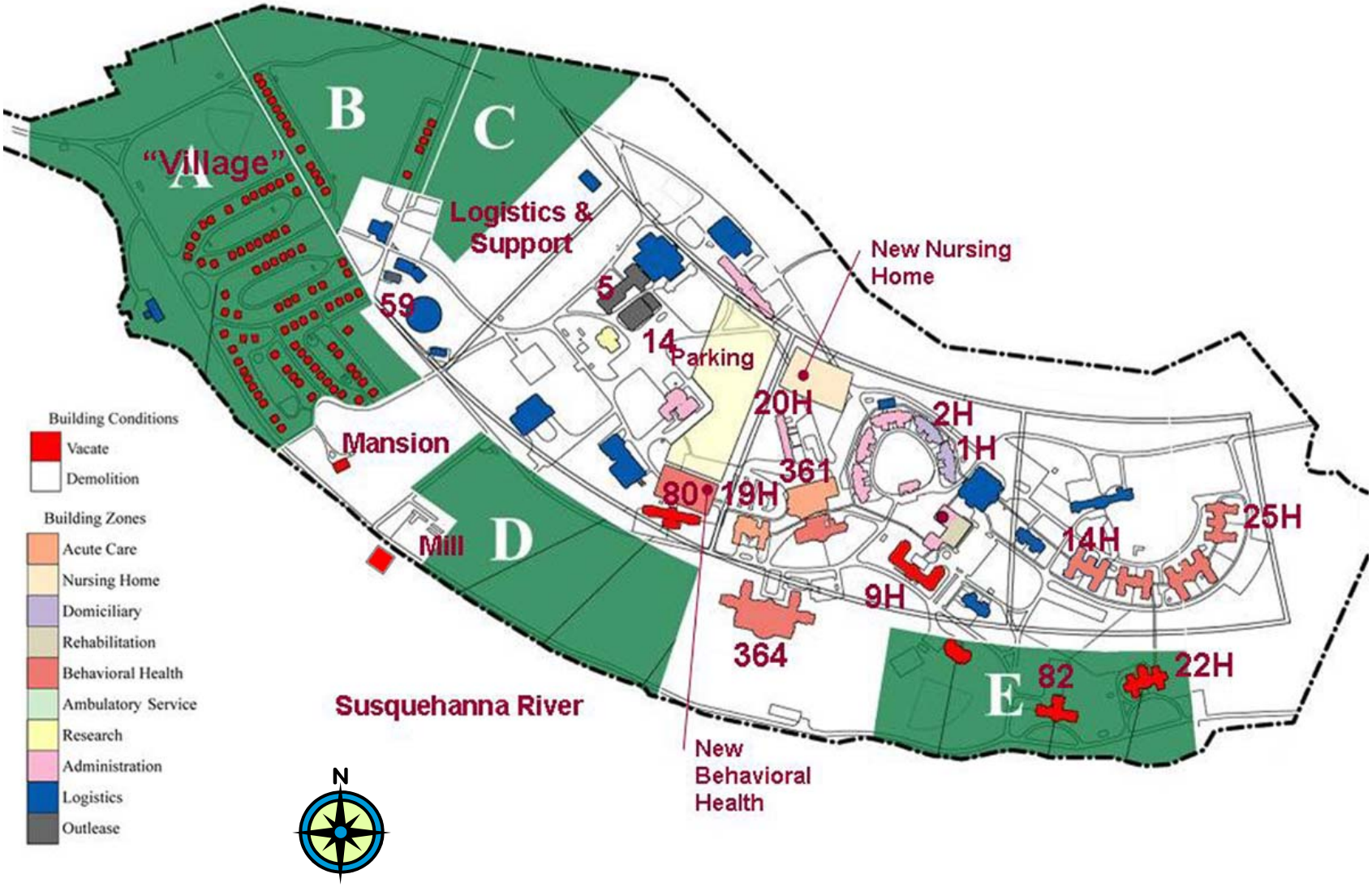
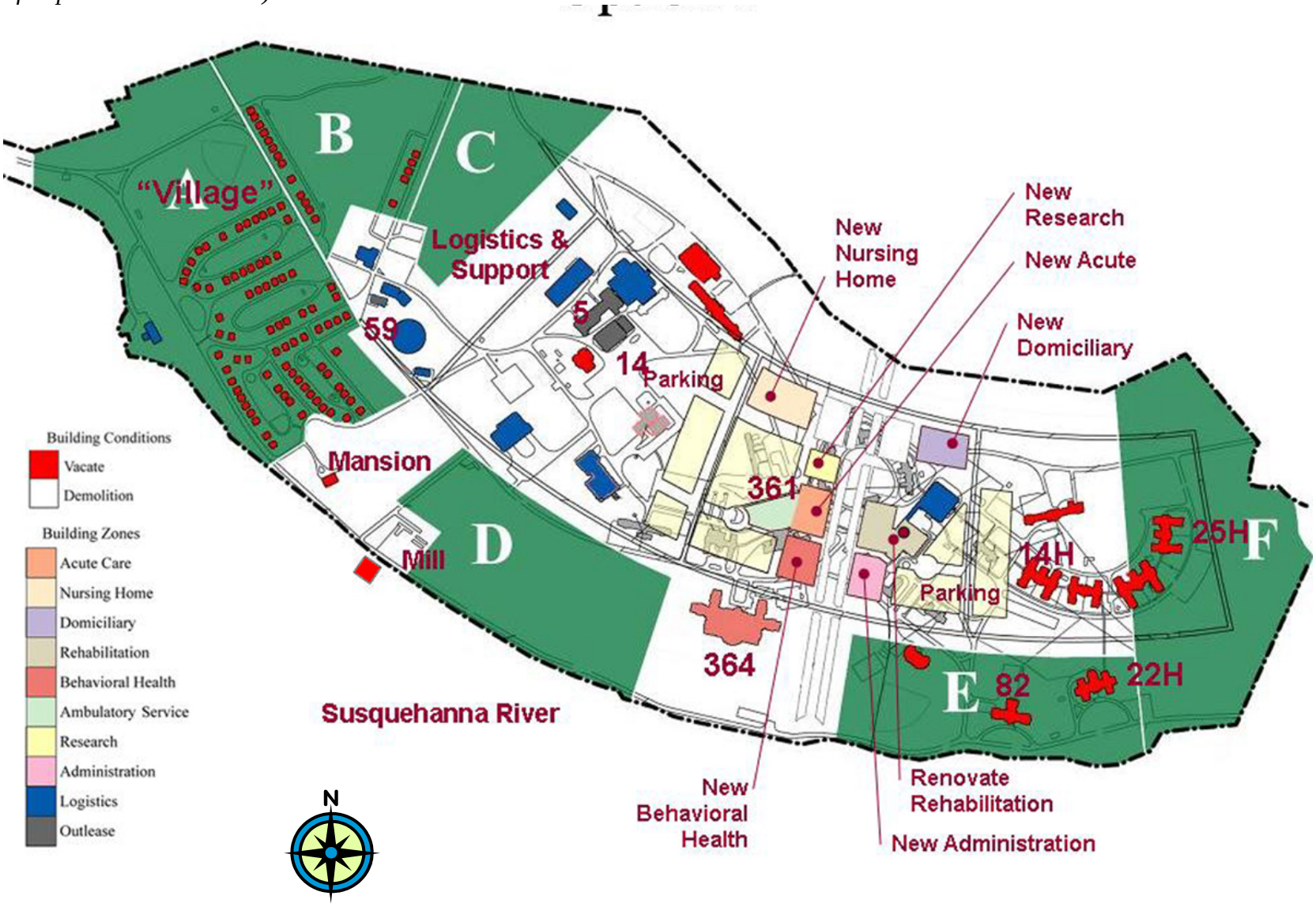


Figure 10: BPO 6 (Construct Replacement Nursing Home Facility; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities)



BPO Schedules

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

Figure 11: BPO 1 (Baseline)

Figure 12: BPO 2 (Renovate Domiciliary - Minimal New Construction; Addition for Outpatient Care)

Figure 13: BPO 3 (Phased Domiciliary Replacements and Renovations - Moderate New Construction; Addition for Outpatient Care)

Figure 14: BPO 4 (Construct Replacement Nursing Home Facility on the Central Portion of the Campus Near Building 80)

Figure 15: BPO 5 (Construct Replacement Nursing Home Facility on the North Central Portion of the Campus; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Improve Campus Organization

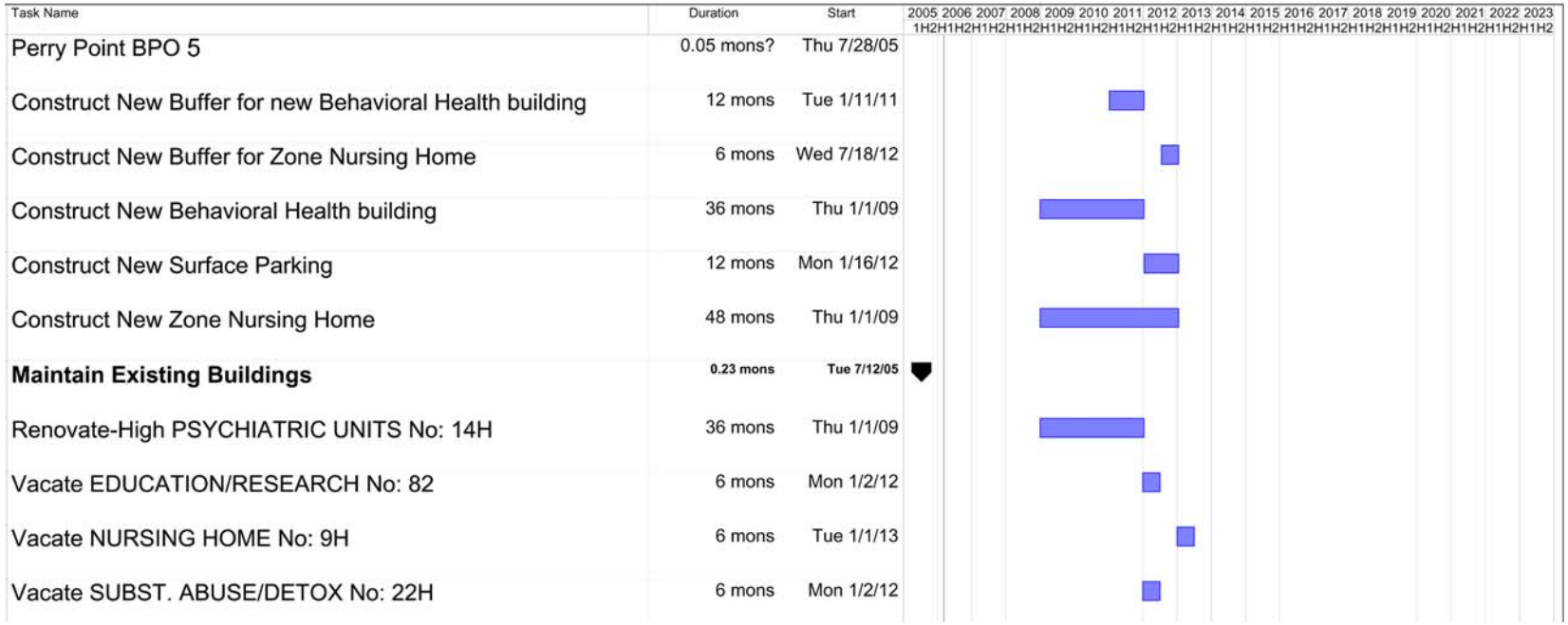


Figure 16: BPO 6 (Construct Replacement Nursing Home Facility; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities)

Assessment Drivers

The Perry Point VAMC provides comprehensive mental healthcare to veterans in the VA Maryland Health Care System. The VAMC offers long- and short-term inpatient mental healthcare, including an inpatient alcohol and substance abuse treatment program. It also provides nursing home services to 170 residents.

Over the next 20 years, the number of enrolled veterans in the Baltimore market is expected to decline by 16% from 69,671 to 58,311. However, enrollment of Priority 1-6 veterans (those with the greatest service-connected needs) is projected to decline by only 4% over the same period of time. Demand for the services provided at Perry Point, however, is expected to increase or remain constant in all service areas except outpatient mental health.

These long-term healthcare trends for the Perry Point campus together with three major drivers were considered for the Perry Point study site. These drivers represent factors particularly noticeable at the Perry Point campus that must be balanced in the development and evaluation of business plan options. The key drivers are:

1. The current nursing home care unit does not meet modern, safe, and secure standards and would require significant capital expenditure over the next few years to renovate and upgrade.
2. Renovated facilities need to be right-sized to meet projected demand for healthcare services through 2023.
3. The footprint of the Perry Point campus needs to be reduced to provide more cost effective healthcare delivery and to maximize the potential for re-use.

These three drivers are described further below.

Capital Investment to Achieve Modern, Safe, and Secure Standards – The Perry Point campus requires significant capital investment to upgrade to modern, safe, and secure standards. The majority of buildings on campus were constructed during the 1920s and 1940s. While most buildings on campus are well maintained, the useful life of these buildings for providing clinical services has been exceeded. The floor-to-floor heights and floor plate configurations severely restrict their ability to be renovated to efficiently achieve modern, safe, and secure standards. Mechanical systems appear to be well maintained; however, some of the older buildings show notable deferred maintenance. In addition, the layout of the buildings is not conducive to a cost-effective operation.

One of the buildings in which nursing home care is provided, building 9H, has an average condition assessment score of less than 3 on a scale of 1 to 5. There are six buildings without ratings in addition to several small outbuildings. The remainder of the buildings on site have an average condition assessment score of 3 or greater as identified in VA's CAI database.

Right-Size Facilities to Meet Projected Demand – Over the next 20 years, the Baltimore market will experience a 4% decline in overall enrollment by veterans in priority groups 1-6 (those with the greatest service-connected needs). However, overall demand for services at the

Perry Point campus is forecasted to increase, with inpatient demand increasing 7% and ambulatory demand increasing 22%. All of the CICs increase or remain constant except outpatient behavioral health, community mental health residential care and, to a small extent, outpatient orthopedics and surgical and related specialties. The space requirements necessary to meet the demand in 2023 are estimated at 1,159,000 square feet. The facility currently has approximately 1,313,000 square feet, or an excess of 154,000 square feet or approximately 12%. (The space requirements were calculated using Team PwC's capital planning methodology.) It is expected that some of this surplus building stock will not be cost effective to renovate to a modern, safe, and secure environment.

Changes in service needs over the forecast period will require right-sizing and reconfiguration of the campus. If VA makes no changes to the Perry Point campus, it will operate with substantial inefficient space that is costly to maintain and diverts patient care resources to building and grounds maintenance.

Re-Use Potential – The Perry Point campus is located within a desirable distance of Interstate 95 between Baltimore and Wilmington. Approximately 8,400 linear feet of water frontage exists along the campus' western and southern property line. A market assessment completed by the re-use contractor has found that the Perry Point campus will likely have numerous potential bidders (private and institutional), with a reasonable probability of success for enhanced-use lease opportunities. Re-use proceeds associated with the redevelopment of portions of the Perry Point campus have the potential to partially offset the capital investment needed for the construction costs of a renovated facility. Placement of a new nursing home on the campus will impact the potential re-uses of the site, since some individual parcels may be easier to market than others and will have correspondingly higher levels of re-use proceeds. This is especially true with regard to the waterfront property. There are some environmental constraints to re-use and redevelopment of portions of the site.

Assessment Results

The following section summarizes the results of applying discriminating criteria to each BPO and comparing them to the baseline in accordance with the Evaluation System for BPOs (Table 9). Subsequent sections describe the reactions of the Local Advisory Panel and Stakeholders to these BPOs, Team PwC's screening assessment of LAP BPOs, and Team PwC's overall recommendations for each BPO.

Table 13: Baseline Assessment

Assessment Summary	Baseline
Healthcare Quality	
Meets forecasted healthcare need	The baseline BPO should provide adequate space for the clinical functions with the exception of nursing home care. A decision has been made by VA to maintain existing nursing home bed capacity at 170 beds through 2023. Nursing home care is provided in two buildings, 9H and 14H. However, renovations to the nursing home building (9H), in combination with the other nursing home building (14H), will yield fewer than 170 beds because of space constraints. VA expects to contract with regional nursing home providers, as needed, to accommodate the loss of nursing home beds. In addition, the baseline assumes that the nursing home building (9H) will be closed during renovation. This will result in those nursing home beds being contracted for about 24 to 36 months during the renovation.
Modern, safe, and secure environment	Conditions of buildings on the Perry Point campus vary. Building 9H, one of the nursing homes, has an average condition assessment score of less than 3 (on a scale of 1 to 5) and is about 80 years old. The remainder of the buildings on site have an average condition assessment score of 3 or greater. Most of the buildings on campus were constructed during the 1920s and 1940s. While the buildings are reasonably well maintained, their useful life for providing clinical services has been exceeded. The baseline improves the facility by bringing these buildings up to modern, safe, and secure code requirements.
Use of VA Resources	
Operating cost effectiveness	Renovations to the facilities should improve facility operating costs from the current state. However, given the original design limitations of the existing facilities, renovations to achieve a modern, safe, and secure environment do not realize efficiencies in staffing, supplies, heating, and power, which would be available under new construction alternatives.
Level of capital expenditure estimated	Significant capital expenditure is required to renovate and upgrade facilities to modern, safe and secure standards.
Level of re-use proceeds	There are no re-use parcels available in the baseline.
Cost avoidance opportunities	In the baseline, it is assumed that the costs identified by the facility as essential maintenance would be expended.
Overall cost effectiveness	Not applicable for the baseline.
Ease of Implementation	
Ease of BPO implementation	The baseline BPO presents implementation risk in terms of the following major risk areas: • Continuity of care; since renovation of the nursing home (9H) will impact the ability to provide uninterrupted care during the renovation, i.e., the nursing home patients residing in 9H will need to have their care contracted with regional facilities during the renovation. • Infrastructure, since facilities may unveil unforeseen environmental, systematic, and/or structural issues during renovation • Security, since renovation may not be able to conform the buildings to all code requirements given physical constraints of the buildings • Project realization, since renovations present exposure to delays, budget variances, and transition complications.
Ability to Support Wider VA Programs	
DoD sharing	No DoD sharing arrangements are expected in the baseline.

Assessment Summary	Baseline
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.
Overall Attractiveness	Not applicable for the baseline.

Table 14 provides an overall summary of the BPOs assessed for comparative purposes.

Table 14: BPO Assessment Summary[16]

Assessment Summary	BPO 2	BPO 3	BPO 4	BPO 5	BPO 6
	Construct Replacement Nursing Home (Near Bldg 364 by the Waterfront)	Construct Replacement Nursing Home (No. Central Part of Campus)	Construct Replacement Nursing Home (Near Bldg 80, Central Part of Campus)	Construct Replacement Nursing Home (No. Central Part of the Campus), Construct Replacement Behavioral Health Bldg, Improve Campus Organization	Construct Replacement Nursing Home; Consolidate Campus through Phased Relocation
Healthcare Quality					
Modern, safe, secure environment	↑	↑	↑	↑	↑
Meets forecasted service need	↑	↑	↑	↑	↑
Cost Effectiveness					
Operating cost effectiveness	-	-	-	↑	↑
Level of capital expenditures estimated	↓↓	↓↓	↓↓	↓↓	↓↓
Level of reuse proceeds	↑↑↑	↑↑↑	↑↑↑	↑↑↑	↑↑↑
Cost avoidance opportunities	-	-	-	-	-
Overall cost effectiveness	-	-	-	↑	↑
Ease of Implementation					
Riskiness of BPO implementation	↑	↑	↑	↔	↔
Wider VA Program Support					
DoD sharing	↔	↔	↔	↔	↔
One-VA Integration	↔	↔	↔	↔	↔
Special Considerations	↔	↔	↔	↔	↔
Overall Attractiveness	↑↑	↑↑	↑↑	↑↑	↑↑

[16] BPOs 7 and 8 are not included in the Assessment Summary Table. They were created during the second LAP meeting at the suggestion of the LAP and, therefore, only the initial screening criteria of access, quality, and cost were applied to determine if the BPOs have the potential to meet or exceed the CARES objectives. If BPOs 7 or 8 are selected for Stage II, a more detailed analysis will be completed.

BPO 7: Construct Replacement Nursing Home Facility by the Waterfront; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities.

The initial screening criteria of access, quality, and cost were applied to this new BPO to determine if this BPO, created by the LAP, has the potential to meet or exceed the CARES objectives.

Table 15: Screening Results for BPO 7

Criteria	Screening Result
Access	Since all services will remain on the campus, assume current access levels will be maintained.
Quality	Similar to BPO 6, this BPO constructs a replacement nursing home and involves constructing replacement facilities through a phased relocation and consolidation of the campus. These replacement facilities and the redesigned campus will support modern healthcare practice.
Cost	This BPO will likely be similar to BPO 6 in overall cost-effectiveness; however, re-use proceeds will be diminished due to the use of more waterfront property. A financial analysis would be required to more properly assess the impact of these factors on the overall cost effectiveness of this BPO.

BPO 8: Construct Replacement Nursing Home Facility by the Waterfront; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Improve Campus Organization

The initial screening criteria of access, quality, and cost were applied to this new BPO to determine if this BPO, created by the LAP, has the potential to meet or exceed the CARES objectives.

Table 16: Screening Results for BPO 8

Criteria	Screening Result
Access	Since all services will remain on the campus, assume access quality levels will be maintained.
Quality	Similar to BPO 5, this BPO constructs a replacement nursing home and consolidates and organizes the campus services through a phased replacement of several buildings. These replacement facilities and the redesigned campus will support modern healthcare practice.
Cost	This BPO will likely be similar to BPO 5 in overall cost-effectiveness; however, re-use proceeds will be diminished due to the use of more waterfront property. A financial analysis would be required to more properly assess the impact of this factor on the overall cost effectiveness of this BPO.

Local Advisory Panel and Stakeholder Reactions/Concerns

Local Advisory Panel Feedback

The Perry Point LAP consists of seven members: Sanford Garfunkel, (Chair); Archna Sharma, M.D.; Roy Albert; James Eberhardt; Colonel Kevin Smith; Phillip Medlin; and Anthony Lehman, M.D. Two of the members are VA staff, the rest are representatives of the community,

veteran service organizations, and where appropriate, medical affiliates and Department of Defense.

At the second LAP meeting on September 27, 2005, following the presentation of public comments, the LAP conducted its deliberation on the BPOs. At that time, the LAP proposed two alternative BPOs representing modifications to two BPOs presented by Team PwC. The LAP favored several features of BPO 5 and 6, but wanted to consider a different location for the nursing home, and different re-use parcel configurations. BPOs 2, 3, 7, and 8 were recommended by the LAP for further study, while BPOs 1, 4, 5, and 6 were not. The LAP expressed interest in constructing new state-of-the-art facilities on the Perry Point campus, and supported a location for the nursing home that is facing the water. The LAP's voting on the BPOs and creation of BPOs 7 and 8 reflect these general sentiments.

Table 17: LAP BPO Voting Results

BPO	Label	Yes	No
1	Baseline	0	5
2	Construct Replacement Nursing Home Near Building 364 by the Waterfront	5	0
3	Construct Replacement Nursing Home on the North Central Portion of the Campus	5	0
4	Construct Replacement Nursing Home on the Central Portion of the Campus Near Building 80	0	5
5	Construct Replacement Nursing Home on the North Central Portion of the Campus; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Improve Campus Organization	0	5
6	Construct Replacement Nursing Home Facility; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities.	0	5
7*	Construct Replacement Nursing Home Facility by the Waterfront; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities.	5	0
8*	Construct Replacement Nursing Home Facility by the Waterfront; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Begin to Improve Campus Organization	5	0

* New BPO Proposed by LAP

Stakeholder Feedback on BPOs

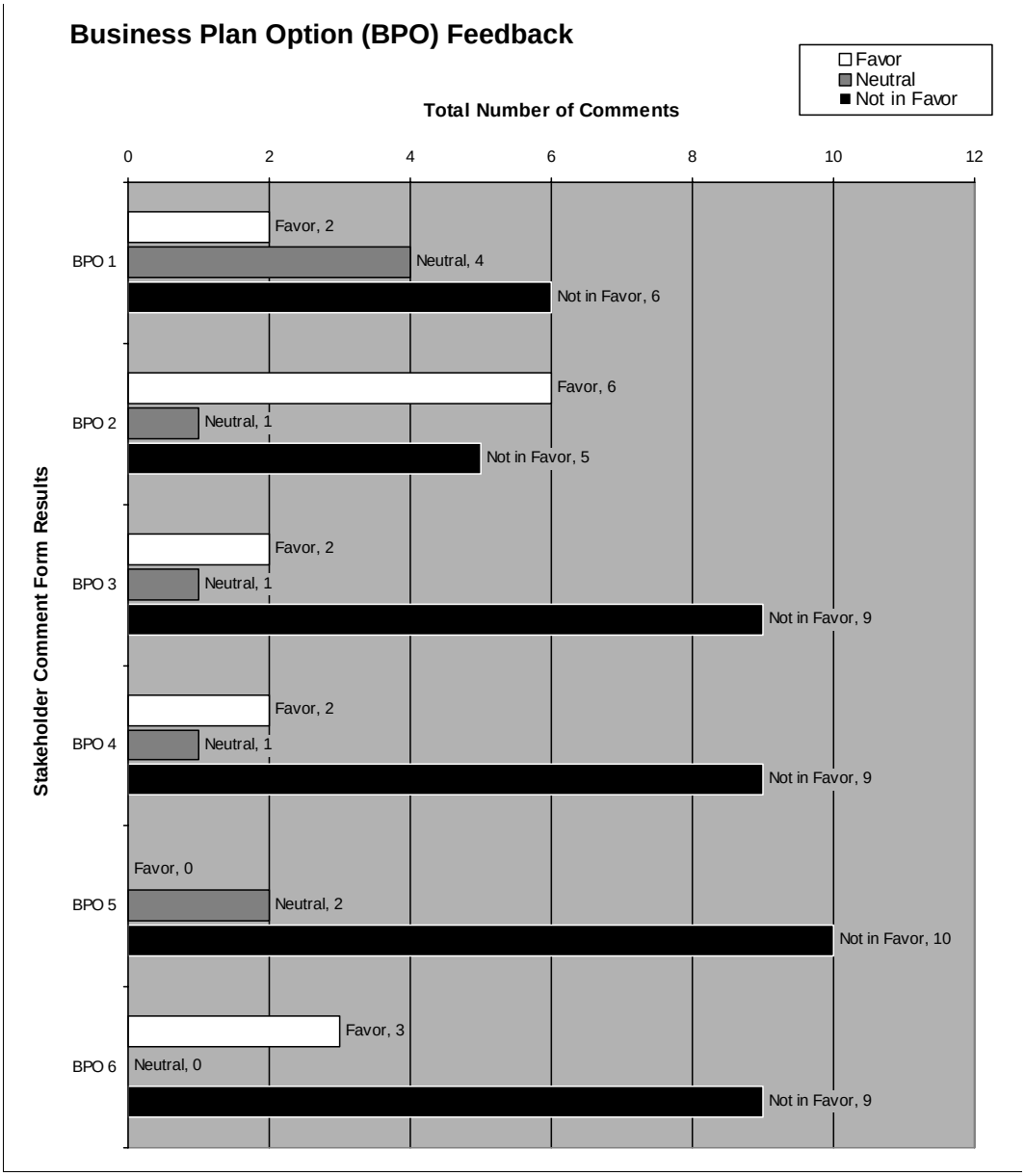
In addition to raising specific concerns, stakeholders were provided with the opportunity to provide feedback regarding the specific BPOs presented at the second LAP meeting. Through the VA CARES website and comment forms distributed at the public meeting, stakeholders were able to indicate if they “favor”, are “neutral”, or are “not in favor” of each of the BPOs. The results of this written and electronic feedback are provided in Figure 18.

The only option that stakeholders favored was BPO 2, which calls for the construction of a replacement nursing home located east of Building 364, and the renovation of necessary space to accommodate forecasted demand.

Figure 18: Stakeholder Feedback on BPOs[26]

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

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



Baseline

Construct Replacement Nursing Home Near Building 364 by the Waterfront

Construct Replacement Nursing Home on the North Central Portion of the Campus

Construct Replacement Nursing Home on the Central Portion of the Campus Near Building 80

Construct Replacement Nursing Home on the North Central Portion of the Campus; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Improve Campus Organization

Construct Replacement Nursing Home Facility; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities.

[26] Stakeholder feedback is reflected in this chart only for the BPOs which were presented by Team PwC at the LAP meeting (BPOs 1-6), and not the ones created by the LAP at the second public LAP meeting. Any stakeholder feedback regarding additional options was captured in the open text boxes on the comment forms.

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 option, 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 also considered. 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 18 with pros and cons identified for each option.

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

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Table 18: BPO Recommendations

BPO	Pros	Cons	Rationale
BPOs Recommended by Team PwC for Further Study			
BPO 1: Baseline	• Least amount of capital expenditure required	• Nursing home care provided in Building 9H would be contracted during three-year renovation, which could lead to risks to quality and continuity of care • Operating inefficiencies and higher maintenance costs persist for renovated buildings • Renovated nursing home yields fewer beds than currently exist at this VAMC	• The baseline is the BPO against which all other BPOs are assessed
BPO 2: Construct Replacement Nursing Home Near Building 364 by the Waterfront	• New construction eliminates recurring maintenance costs for aging existing buildings • Less risky than the baseline as continuity of care and infrastructure issues are managed by transitioning NHCU patients into new facility, and new facility will meet all current VA standards • Potential re-use/redevelopment of Parcels A through D	• Does not address long-term operational and facility master planning for the campus • Does not establish a clear direction for long-term redistribution of campus functions and re-use • Operating inefficiencies and higher maintenance costs remain for older, renovated space	• Construction of a new building is less risky than renovation of the old building • Provides for a replacement nursing home that meets demand in a modern, safe, and secure environment • Permits re-use/redevelopment of underused land
BPO 3: Construct Replacement Nursing Home near Building 20H, on the North Central Portion of the Campus	• Enables further consolidation of the campus than the baseline • New construction eliminates recurring maintenance costs for aging existing buildings • Potential re-use/redevelopment of Parcels A through D	• Does not address long-term operational and facility master planning for the campus • Does not establish a clear direction for long-term redistribution of campus functions and re-use • Operating inefficiencies and higher maintenance costs remain for older, renovated space	
BPO 5: Construct Replacement Nursing Home on the North Central Portion of the Campus; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Begin to Improve Campus Organization	• New construction eliminates recurring maintenance costs for aging existing buildings • Enables significant consolidation of the campus and creates campus organizational system • Creates a more modern, safe, and secure environment through renovations and new construction than just renovations in the baseline. • Potential re-use/redevelopment of Parcels A, B, C, D, and E • Increases amount of valuable waterfront acreage available for re-use.	• Estimated capital expenditure level is higher • Implementation risk related to project realization, the potential availability of resources to implement, and delays in implementation	• This BPO not only provides a modern safe and secure environment for nursing home patients as in BPO 2 and 3, it also improves the care environment for behavioral health patients
BPOs Not Recommended by Team PwC for Further Study			
BPO 4: Construct Replacement Nursing Home on the Central Portion of the Campus Near Building 80	• New construction eliminates recurring maintenance costs for aging existing buildings • Potential re-use/redevelopment of Parcels A through D	• Operating inefficiencies and higher maintenance costs remain for older, renovated space • Location adjacent to Building 80 could affect convenience of patient and visitor access since this is the most densely developed portion of the campus.	• Location adjacent to Building 80 could affect convenience of patient and visitor access since this is the most densely developed portion of the campus.

BPO	Pros	Cons	Rationale
BPO 6: Construct Replacement Nursing Home; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities.	• New construction eliminates recurring maintenance costs for aging existing buildings • Enables further consolidation of the campus than the baseline or BPOs 2 and 3 and creates a campus organizational system • Creates a more modern, safe, and secure environment through renovations and new construction than just renovations in the baseline • New buildings are more efficient to operate and meet demand • Potential re-use/redevelopment of Parcels A, B, C, D, E, and F • Provides open visible access to waterfront and should increase re-use proceeds	• Not easy to implement, since multi-move phasing results in a longer renovation period and greater patient disruption • Implementation risk related to project realization, the potential availability of resources to implement, and delays in implementation	• Project realization risk related to the potential availability of resources to implement and delays in implementation
BPO 7: Construct Replacement Nursing Home by the Waterfront; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities.	• New construction eliminates recurring maintenance costs for aging existing buildings • Enables further consolidation of the campus than the baseline or BPOs 2 and 3 and creates a campus organizational system • Creates a more modern, safe, and secure environment through renovations and new construction than just renovations in the baseline • New buildings are more efficient to operate and meet demand • Potential re-use/redevelopment of Parcels A, B, C, D, E, and F	Similar to BPO 6 with the following exceptions: • Reduced amount of waterfront property available for re-use/redevelopment compared to BPO 5 • Not easy to implement, since multi-move phasing results in a longer renovation period and greater patient disruption • Operating inefficiencies and higher maintenance costs remain for older, renovated space	
BPO 8: Construct Replacement Nursing Home Facility by the Waterfront; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Begin to Improve Campus Organization	• New construction eliminates recurring maintenance costs for aging existing buildings • Enables further consolidation of the campus than the baseline or BPOs 2 and 3 and creates a campus organizational system • Creates a more modern, safe, and secure environment through renovations and new construction than just renovations in the baseline. • New buildings are more efficient to operate and meet demand • Potential re-use/redevelopment of Parcels A, B, C, D, and E	• Estimated capital expenditure level is higher • Less waterfront property is available for re-use/redevelopment compared to BPO 5	• Project realization risk linked to the potential availability of resources to implement and delays in implementation

Appendix A - Assessment Tables

BPO 1: Baseline

Assessment Summary	Baseline
Healthcare Quality	
Meets forecasted healthcare need	The baseline BPO should provide adequate space for the clinical functions with the exception of nursing home care. A decision has been made by VA to maintain existing nursing home bed capacity at 170 beds through 2023. Nursing home care is provided in two buildings, 9H and 14H. However, renovations to the nursing home building (9H), in combination with the other nursing home building (14H), will yield fewer than 170 beds because of space constraints. VA expects to contract with regional nursing home providers, as needed, to accommodate the loss of nursing home beds. In addition, the baseline assumes that the nursing home building (9H) will be closed during renovation. This will result in those nursing home beds being contracted for about 24 to 36 months during the renovation.
Modern, safe, and secure environment	Conditions of buildings on the Perry Point campus vary. Building 9H, one of the nursing homes, has an average condition assessment score of less than 3 (on a scale of 1 to 5) and is about 80 years old. The remainder of the buildings on site have an average condition assessment score of 3 or greater. Most of the buildings on campus were constructed during the 1920s and 1940s. While the buildings are reasonably well maintained, their useful life for providing clinical services has been exceeded. The baseline improves the facility by bringing these buildings up to modern, safe, and secure code requirements.
Use of VA Resources	
Operating cost effectiveness	Renovations to the facilities should improve facility operating costs from the current state. However, given the original design limitations of the existing facilities, renovations to achieve a modern, safe, and secure environment do not realize efficiencies in staffing, supplies, heating, and power, which would be available under new construction alternatives.
Level of capital expenditure estimated	Significant capital expenditure is required to renovate and upgrade facilities to modern, safe and secure standards.
Level of re-use proceeds	There are no re-use parcels available in the baseline.
Cost avoidance opportunities	In the baseline, it is assumed that the costs identified by the facility as essential maintenance would be expended.
Overall cost effectiveness	Not applicable for the baseline.
Ease of Implementation	
Ease of BPO implementation	The baseline BPO presents implementation risk in terms of the following major risk areas: • Continuity of care; since renovation of the nursing home (9H) will impact the ability to provide uninterrupted care during the renovation, i.e., the nursing home patients residing in 9H will need to have their care contracted with regional facilities, during the renovation. ▪ Infrastructure, since facilities may unveil unforeseen environmental, systematic, and/or structural issues during renovation ▪ Security, since renovation may not be able to conform the buildings to all code requirements given physical constraints of the buildings ▪ Project realization, since renovations present exposure to delays, budget variances, and transition complications.

Assessment Summary	Baseline
Ability to Support Wider VA Programs	
DoD sharing	No DoD sharing arrangements are expected in the baseline.
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.
Overall Attractiveness	Not applicable for the baseline.

BPO 2: Construct Replacement Nursing Home Near Building 364 by the Waterfront

Assessment of BPO 2	Comparison to Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↑	The new nursing home will be sized to meet the forecasted service need as compared to the baseline which will require contracting out more nursing home patients. CWT patients residing in the "Village" area (which will be available for re-use) will be accommodated in the central area of the campus.
Modern, safe, and secure environment	↑	The newly constructed nursing home will have the ability to provide for a more modern, safe, and secure environment than renovated facilities in the baseline.
Cost Effectiveness		
Operating cost effectiveness	-	This BPO results in potentially the same operating costs as the baseline. The replacement nursing home will provide for some staffing and other operational efficiencies; other renovated buildings will have equivalent operating costs to the baseline.
Level of capital expenditures estimated	↓↓	Higher level of capital expenditures estimated resulting from construction of the replacement nursing home as compared to renovation in the baseline
Level of re-use proceeds	↑↑↑	Significantly higher level of re-use proceeds compared to the baseline, since there is no re-use in the baseline.
Cost avoidance opportunities	-	Although recurring maintenance costs for the existing NHCU will be eliminated, maintenance costs for the remainder of the facility will mean that there are not significant cost avoidance opportunities.
Overall cost effectiveness	-	The extent of renovation and upgrades in this BPO is similar to the baseline, resulting in similar operating costs. Higher capital expenditures than in the baseline are at least partially offset by the re-use proceeds that are higher than the baseline. Overall, this BPO results in a similar level of net present cost as the baseline.

Assessment of BPO 2	Comparison to Baseline	Description of Impact
Ease of Implementation		
Riskiness of BPO implementation	↑	The BPO is less risky as compared to the baseline in terms of the following major risk categories: • Continuity of care and Infrastructure: Easier to transition patients once the new facilities are built. Less risk impacting management of the facilities during the renovation and construction. • Security: New construction will meet all current code requirements.
Wider VA Program Support		
DoD sharing	↔	No material impact is expected since no DoD relationships are expected. However, the BPO does not preclude any potential collaboration between VA and DoD.
One-VA Integration	↔	No material impact is expected that would affect One-VA integration since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances future, potential VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since the capital pan neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	↑↑	BPO 2 is attractive compared to the baseline. This BPO is likely to offer a solution that at least maintains access and improves quality for a comparable net present cost as the baseline.

BPO 3: Construct Replacement Nursing Home on the North Central Portion of the Campus

Assessment of BPO 3	Comparison to Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↑	The new nursing home will be sized to meet the forecasted service need as compared to the baseline which will require contracting out more nursing home patients. CWT patients residing in the "Village" area (which will be available for re-use) will be accommodated in the central area of the campus
Modern, safe, and secure environment	↑	The newly constructed nursing home will have the ability to provide for a more modern, safe, and secure environment than renovated facilities in the baseline.
Use of VA Resources		
Operating cost effectiveness	-	This BPO results in potentially the same operating costs as the baseline. The replacement nursing home will provide for some staffing and other operational efficiencies; other renovated buildings will have equivalent operating costs to the baseline.
Level of capital expenditure estimated	↓↓	Higher level of capital expenditures estimated resulting from construction of the replacement nursing home as compared to renovation in the baseline
Level of re-use proceeds	↑↑↑	Significantly higher level of re-use proceeds compared to the baseline, since there is no re-use in the baseline.
Cost avoidance opportunities	-	Although recurring maintenance costs for the existing NHCU will be eliminated, maintenance costs for the remainder of the facility will mean that there are not significant cost avoidance opportunities.
Overall cost effectiveness	-	The extent of renovation and upgrades in this BPO is similar to the baseline, resulting in similar operating costs. Higher capital expenditures than in the baseline are at least partially offset by the re-use proceeds that are higher than the baseline. Overall, this BPO results in a similar level of net present cost as the baseline.

Assessment of BPO 3	Comparison to Baseline	Description of Impact
Ease of Implementation		
Riskiness of BPO implementation	↑	The BPO is less risky as compared to the baseline in terms of the following major risk categories: • Continuity of care and Infrastructure: Easier to transition patients once the new facilities are built. Less risk impacting management of the facilities during the renovation and construction. • Security: New construction will meet all current code requirements.
Wider VA Program Support		
DoD sharing	↔	No material impact is expected since no DoD relationships are expected. However, the BPO does not preclude any potential collaboration between VA and DoD.
One-VA Integration	↔	No material impact is expected that would affect One-VA integration since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances future, potential VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since the capital pan neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	↑↑	BPO 3 is attractive compared to the baseline. This BPO is likely to offer a solution that at least maintains access and improves quality for a comparable net present cost as the baseline.

BPO 4: Construct Replacement Nursing Home on the Central Portion of the Campus Near Building 80

Assessment of BPO 4	Comparison to Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↑	The new nursing home will be sized to meet the forecasted service need as compared to the baseline which will require contracting out more nursing home patients. CWT patients residing in the "Village" area (which will be available for re-use) will be accommodated in the central area of the campus
Modern, safe, and secure environment	↑	The newly constructed nursing home will have the ability to provide for a more modern, safe, and secure environment than renovated facilities in the baseline.
Use of VA Resources		
Operating cost effectiveness	-	This BPO results in potentially the same operating costs as the baseline. The replacement nursing home will provide for some staffing and other operational efficiencies; other renovated buildings will have equivalent operating costs to the baseline.
Level of capital expenditure estimated	↓↓	Higher level of capital expenditures estimated resulting from construction of the replacement nursing home as compared to renovation in the baseline.
Level of re-use proceeds	↑↑↑	Significantly higher level of re-use proceeds compared to the baseline, since there is no re-use in the baseline.
Cost avoidance opportunities	-	Although recurring maintenance costs for the existing NHCU will be eliminated, maintenance costs for the remainder of the facility will mean that there are not significant cost avoidance opportunities.
Overall cost effectiveness	-	The extent of renovation and upgrades in this BPO is similar to the baseline, resulting in similar operating costs. Higher capital expenditures than in the baseline are at least partially offset by the re-use proceeds that are higher than the baseline. Overall, this BPO results in a similar level of net present cost as the baseline.

Assessment of BPO 4	Comparison to Baseline	Description of Impact
Ease of Implementation		
Riskiness of BPO implementation	↑	The BPO is less risky as compared to the baseline in terms of the following major risk categories: • Continuity of care and Infrastructure: Easier to transition patients once the new facilities are built. Less risk impacting management of the facilities during the renovation and construction. • Security: New construction will meet all current code requirements.
Wider VA Program Support		
DoD sharing	↔	No material impact is expected since no DoD relationships are expected. However, the BPO does not preclude any potential collaboration between VA and DoD.
One-VA Integration	↔	No material impact is expected that would affect One-VA integration since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances future, potential VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since the capital pan neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	↑↑	BPO 4 is attractive compared to the baseline. This BPO is likely to offer a solution that at least maintains access and improves quality for a comparable net present cost as the baseline..

BPO 5: Construct Replacement Nursing Home on the North Central Portion of the Campus; Construct Replacement Behavioral Health Building in the Central Portion of the Campus and Improve Campus Organization

Assessment of BPO 5	Comparison to Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↑	The new nursing home will be sized to meet the forecasted service need as compared to the baseline which will require contracting out more nursing home patients. The new behavioral health building will more adequately meet the needs of modern standards of care provisions. CWT patients residing in the "Village" area (which will be available for re-use) will be accommodated in the central area of the campus.
Modern, safe, and secure environment	↑	Newly constructed nursing home and behavioral health building will have the ability to provide for a more modern, safe, and secure environment than renovations in the baseline. Other renovations will be similar to the baseline.
Use of VA Resources		
Operating cost effectiveness	↑	This BPO has the potential to provide some recurring operating cost savings compared to the baseline BPO.
Level of capital expenditure estimated	↓↓	Combination of new construction and renovation results in a higher level of investment required relative to the baseline.
Level of re-use proceeds	↑↑↑	Significantly higher level of re-use proceeds compared to the baseline, since there is no re-use in the baseline.
Cost avoidance opportunities	-	It is assumed that renovation and periodic and recurring maintenance costs for renovated buildings will be the same as the baseline. Cost avoidance opportunities once the new facilities are open would occur since it would no longer be necessary to maintain and renovate the older buildings. However, there is no significant cost avoidance opportunity expected compared to the baseline.
Overall cost effectiveness	↑	Although this BPO requires significant capital investment, it produces long-term operating cost savings and higher potential re-use proceeds, resulting in lower net present cost compared to the baseline.

Assessment of BPO 5	Comparison to Baseline	Description of Impact
Ease of Implementation		
Ease of BPO implementation	↔	The BPO is less risky as compared to the baseline in terms of the following major risk categories: • Continuity of care and Infrastructure: Easier to transition patients once the new facilities are built. Less risk impacting management of the facilities during the renovation and construction. • Security: New construction will meet all current code requirements. This BPO is more risky as compared to the baseline in terms of the following major risk category: • Project realization, in terms of the potential availability of resources to implement and delays in implementation
Wider VA Program Support		
DoD sharing	↔	No material impact is expected since no DoD relationships are expected. However, the BPO does not preclude any potential collaboration between VA and DoD.
One-VA Integration	↔	No material impact is expected that would affect One-VA integration since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances future, potential VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since the capital plan neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	↑↑	BPO 5 is attractive as compared to the baseline. This BPO is likely to offer a solution that improves quality for less net present cost as the baseline.

BPO 6: Construct Replacement Nursing Home Facility; Consolidate Campus through Phased Relocation and Construction of Replacement Facilities.

Assessment of BPO 6	Comparison to Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↑	The facility is sized to meet projected demand. Further consolidation of the campus is achieved than is possible under the baseline.
Modern, safe, and secure environment	↑	Renovation and construction improves site safety by bringing buildings up to code. New construction provides physical layouts and unit sizes that reflect modern healthcare practice.
Use of VA Resources		
Operating cost effectiveness	↑	This BPO has the potential to provide some recurring operating cost savings compared to the baseline BPO.
Level of capital expenditure estimated	↓↓	Combination of new construction and renovation results in a higher level of investment required relative to the baseline. This is primarily driven by the cost of new construction since renovation costs for many of the buildings are similar to the baseline.
Level of re-use proceeds	↑↑↑	Significantly higher level of re-use proceeds compared to the baseline, since there is no re-use in the baseline.
Cost avoidance opportunities	-	It is assumed that renovation and periodic and recurring maintenance costs for renovated buildings will be the same as the baseline. Cost avoidance opportunities once the new facilities are open would occur since it would no longer be necessary to maintain and renovate the older buildings. However, there is no significant cost avoidance opportunity expected compared to the baseline.
Overall cost effectiveness	↑	Although this BPO requires significant capital investment, it produces long-term operating cost savings and higher potential re-use proceeds, resulting in lower net present cost compared to the baseline.

Assessment of BPO 6	Comparison to Baseline	Description of Impact
Ease of Implementation		
Ease of BPO implementation	↔	The BPO is less risky as compared to the baseline in terms of the following major risk categories: • Continuity of care and Infrastructure: Easier to transition patients once the new facilities are built. Less risk impacting management of the facilities during the renovation and construction. • Security: New construction will meet all current code requirements. This BPO is more risky as compared to the baseline in terms of the following major risk category: • Project realization, in terms of the potential availability of resources to implement and delays in implementation
Wider VA Program Support		
DoD sharing	↔	No material impact is expected since no DoD relationships are expected. However, the BPO does not preclude any potential collaboration between VA and DoD.
One-VA Integration	↔	No material impact is expected that would affect One-VA integration since there are no significant VBA or NCA relationships in the baseline which could be disrupted. Furthermore, the BPO neither precludes nor enhances future, potential VBA or NCA relationships.
Special Considerations	↔	No material impact expected in terms of special considerations since the capital plan neither precludes nor enhances DoD contingency planning, Homeland Security needs, or emergency preparedness.
Overall Attractiveness	↑↑	BPO 6 is attractive as compared to the baseline. This BPO is likely to offer a solution that at least maintains access and improves quality for less net present cost as 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 reuse plan.
Capital Asset Inventory (CAI)	The CAI includes the location and planning information on owned buildings and land, leases, and agreements, such as enhanced-use leases, enhanced sharing agreements, outleases, donations, permits, licenses, inter- and intra-agency agreements, and ESPC (energy saving performance contracts) in the VHA capital inventory.
CARES Implementation Category (CIC)	One of 25 categories under which workload is aggregated in VA demand models. *(See Workload)*
Clinic Stop	A visit to a clinic or service rendered to a patient.
Clinical Inventory	The listing of clinical services offered at a given station.
Code	Compliance with auditing/reviewing bodies such as JCAHO, NFPA Life Safety Code or CAP.
Community Based Outpatient Clinic (CBOC)	An outpatient facility typically housing clinic services and associated testing. A CBOC is VA operated, contracted, or leased and is geographically distinct or separate from the parent medical facility.
Cost Effectiveness	A program is cost-effective if, on the basis of life-cycle cost analysis of competing alternatives, it is determined to have the lowest costs expressed in present value terms for a given amount of benefits.
Domiciliary	A VA facility that provides care on an ambulatory self-care basis for veterans disabled by age or diseases who are not in need of acute hospitalization and who do not need the skilled nursing services provided in a nursing home.
Enhanced Use Lease	A lease of real property to non-government entities, under the control and/or jurisdiction of the Secretary of Veterans Affairs, in which monetary or "in-kind" consideration (i.e., the provision of goods, facilities, construction, or services of the benefit to the Department) is received. Unlike traditional federal leasing authorities in which generated proceeds must be deposited into a general treasury account, the enhanced-use leasing authority

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

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

Mental Health Indicators

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)