

Capital Asset Realignment for Enhanced Services (CARES)

Business Plan Studies for Montrose/Castle Point

Presentation for Local Advisory Panel

September 22, 2005



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

The VA has also contracted with another government contractor, S&S/ACG, to develop re-use options for inclusion in this study. S&S/ACG issued its report, Enhanced Use Lease Property Re-use/Redevelopment Plan Phase One: Baseline Report, Veterans Affairs Medical Center, Montrose/Castle Point, New York, and as directed by the VA, PricewaterhouseCoopers LLP has included information from its report in this document. PricewaterhouseCoopers LLP 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/ACG.

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.

Recap of First LAP Meeting



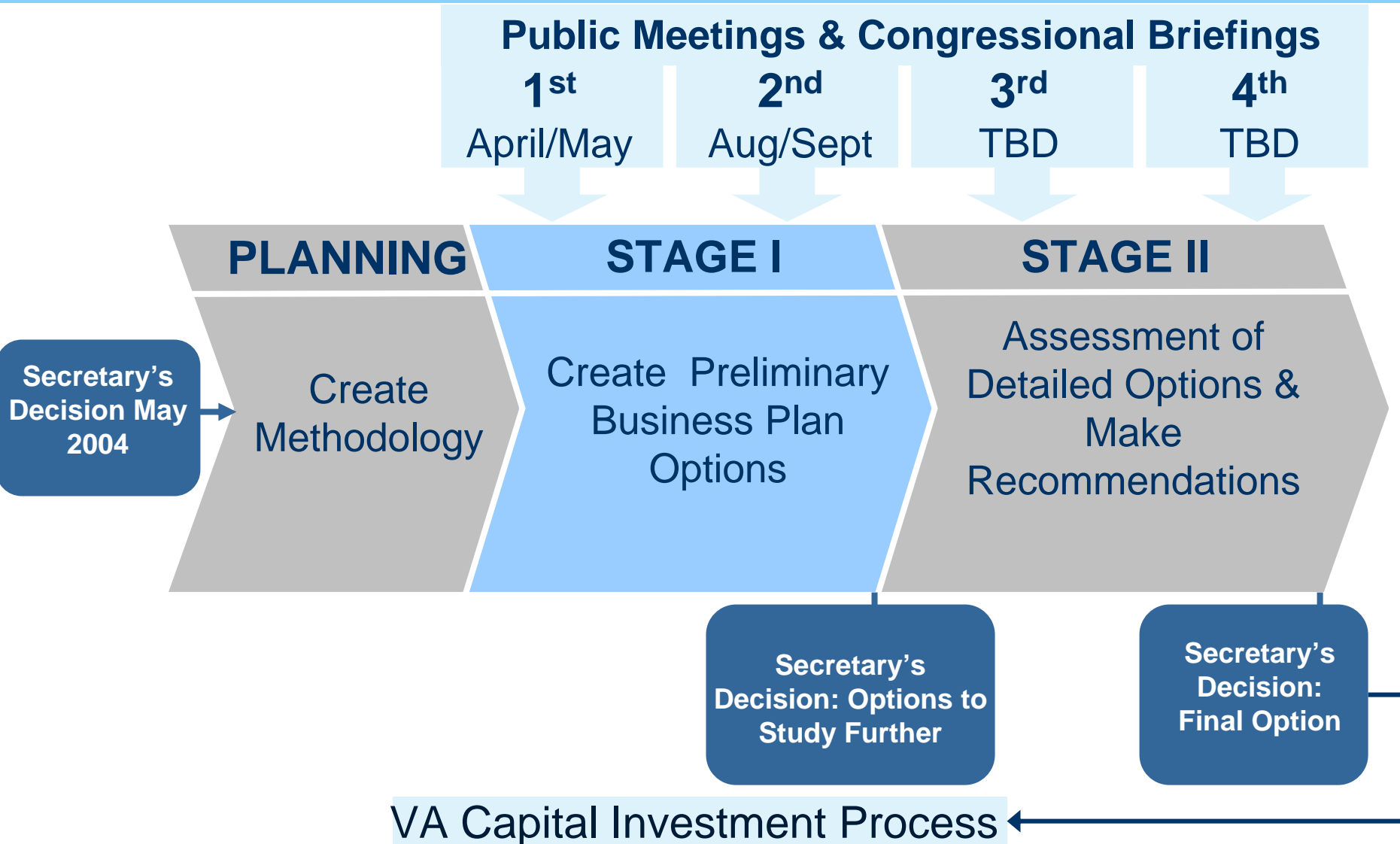
First Public Meeting Recap

- The Secretary's CARES Decision Document, May 2004, calls for additional studies to improve the previous analyses for eighteen sites including Montrose/Castle Point, NY
- Study Objective:

Identify the optimal approach to provide veterans with healthcare equal to or better than is currently provided in terms of:

Access
Quality
Cost Effectiveness

Project Overview



2004 Secretary's Decision for Montrose/Castle Point

- VA will implement a consolidation of services between the Montrose and Castle Point campuses that will enhance patient care and make more effective use of VA healthcare resources.
- The consolidation will transfer acute psychiatric, long-term psychiatric and nursing home beds from the Montrose VAMC to the Castle Point VAMC.
- To accomplish this consolidation, VA will:
 - ◆ Augment the mission at the Castle Point site with new construction;
 - ◆ Reduce the footprint on the Montrose site;
 - ◆ Use an enhanced use lease for assisted living and other compatible uses or divestiture of property at Montrose.
- By consolidating these services at Castle Point, VA can build one new state-of-the-art and appropriately sized nursing home designed to provide high quality nursing home care services.

2004 Secretary's Decision for Montrose/Castle Point

- VA will continue to provide outpatient, domiciliary and residential rehabilitation services at the Montrose campus.
- Spinal Cord Injury program to be relocated to the Bronx.
- The Plan will make sure that the realignment decision for the excess VA property at the Montrose campus will consider, but will not be limited to, an enhanced use lease proposal for an assisted living complex. The potential for collaboration with the National Cemetery Administration also will be considered in the Master Plan. Any re-use or disposal of property on the Montrose campus will serve to enhance the Department's mission.

What's Being Studied at Montrose/Castle Point

■ Capital Planning

Identify the best use of buildings and facilities to provide needed healthcare services in a modern, safe and secure setting

■ Re-Use/Redevelopment

Identify options that maximize the potential re-use of all or some of the current VA property, if that property is not needed for VA or VA-related services

Purpose of the LAP Meeting

- Review the options prepared by the contractor for the future use of these VAMCs.
- Members of the LAP will ask questions so that each option is clear. Members of the public may also ask questions about the options.
- The LAP may add options not presented by the contractor.
- The LAP will recommend to the Secretary which options it believes should be studied further, but the Secretary is not required to adhere to this, or the contractor's recommendation.

Montrose/Castle Point Public Input



Montrose/Castle Point Public Input

- 59 forms of stakeholder input were received between January 1, 2005 and June 30, 2005.
- The greatest amount of written and electronic input was received from veterans and VA or medical center employees.
- Top key concerns:
 - Support for veterans
 - Effect on healthcare services and providers (transfer of services from Montrose to Castle Point)
 - Keeping the VAMC (specifically Montrose) open

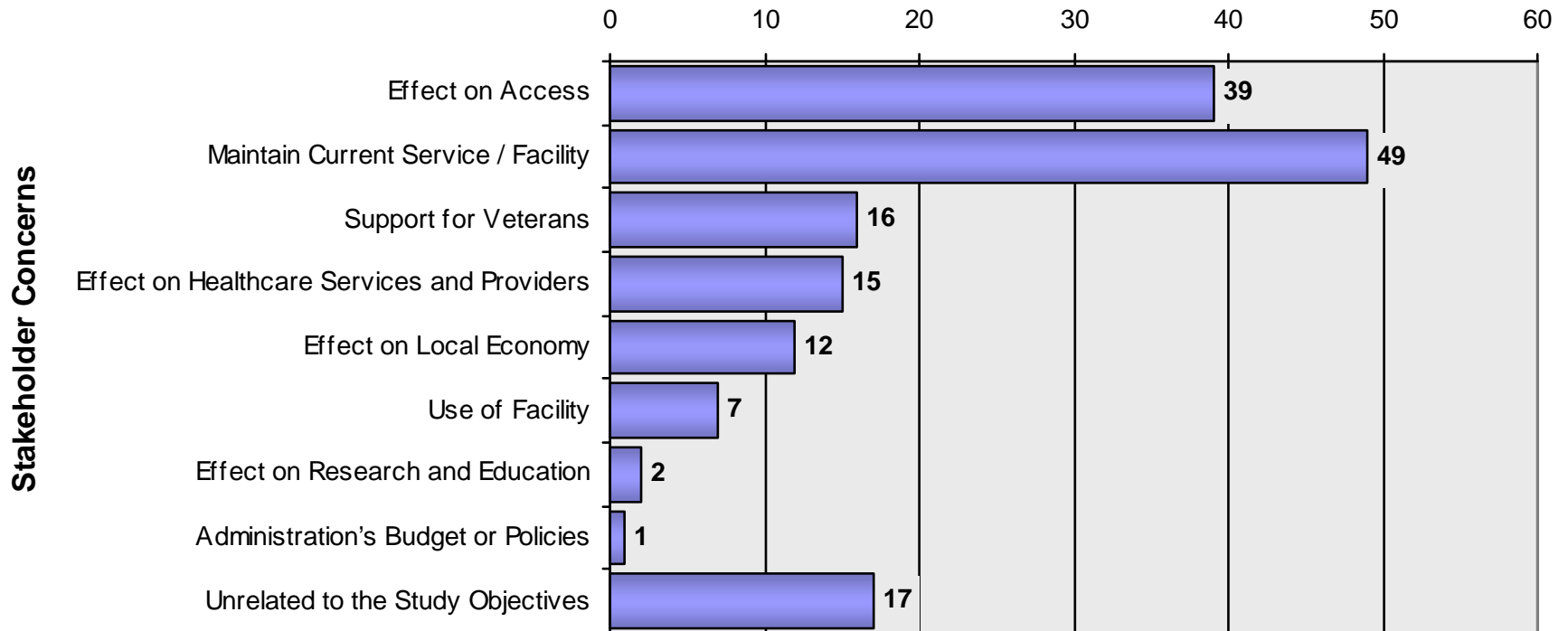
Categories of Stakeholder Concerns

- Effect on Access
- Maintain Current Service/Facility
- Support for Veterans
- Effect on Healthcare Services/Providers
- Effect on Local Economy
- Use of Facility
- Effect on Research and Education
- Administration's Budget or Priorities
- Unrelated to the Study Objectives

Key Concerns – Written and Electronic Input

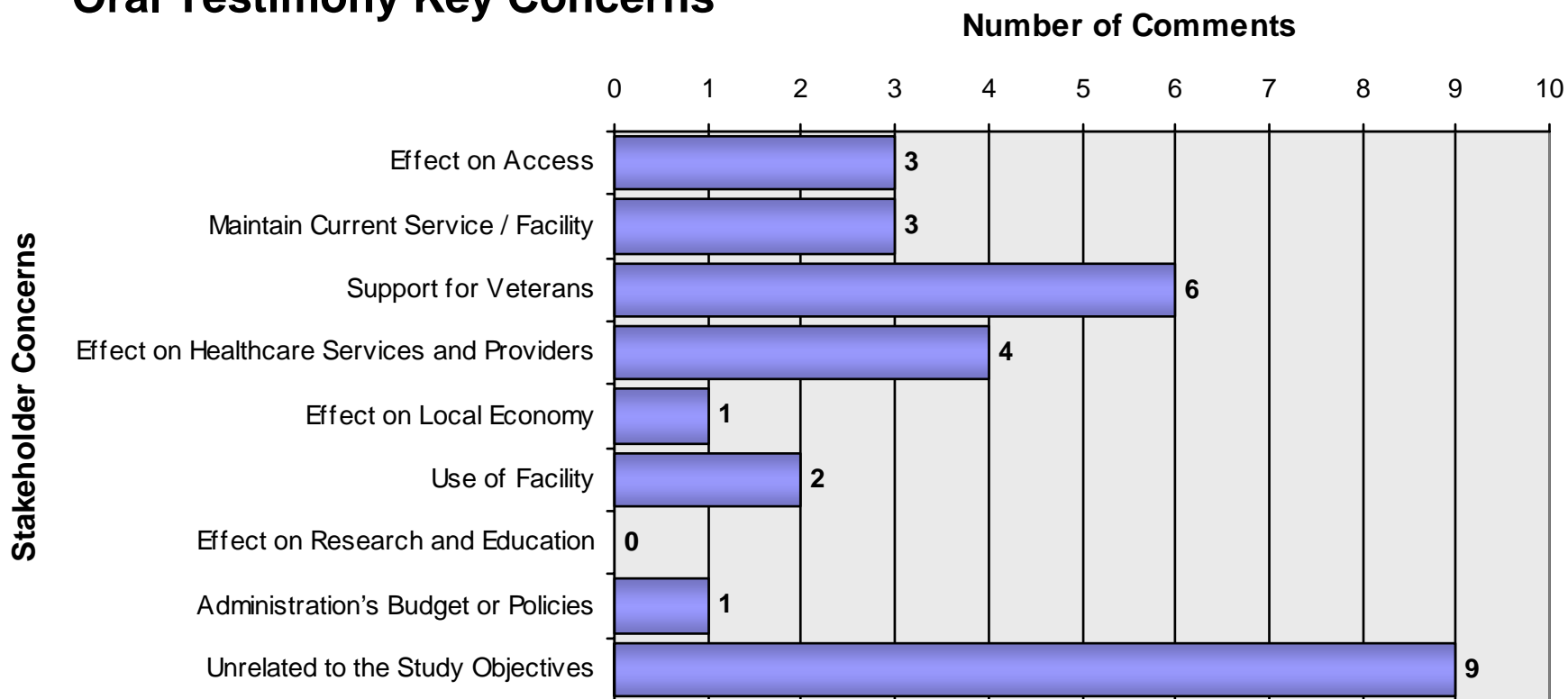
Key Concerns

Number of Comments



Key Concerns – Oral Testimony

Oral Testimony Key Concerns



Stakeholder Input to Options Development

■ Town of Cortlandt Plan

- ◆ All of the Options at Montrose are compatible with this Plan

■ Montrose Elders / Assisted Living Enhanced Use Lease Plan

- ◆ All Options at Montrose are compatible with this Plan
- ◆ Most would support this Plan exactly as previously proposed on the site

Stakeholder Input to Options Development

- Other ideas for complementary use – assisted living, low-income veterans' housing, services to homeless veterans
 - ◆ All these possibilities remain
- Expansion or enhancement of VA clinical services
 - ◆ Within the framework of the Secretary's Decision, the Options retain the ability to add or modify the service mix per future VA initiatives
- National Cemetery Administration
 - ◆ The Options support consideration of 20 acres for this purpose
- The State of New York
 - ◆ Interested in obtaining an easement along the Hudson River at Montrose for use as a public walkway in conjunction with the Hudson River Valley Greenway project.

Current Status and Business Plan Options



Stage I Study Findings for Montrose/Castle Point

Montrose and Castle Point VAMCs

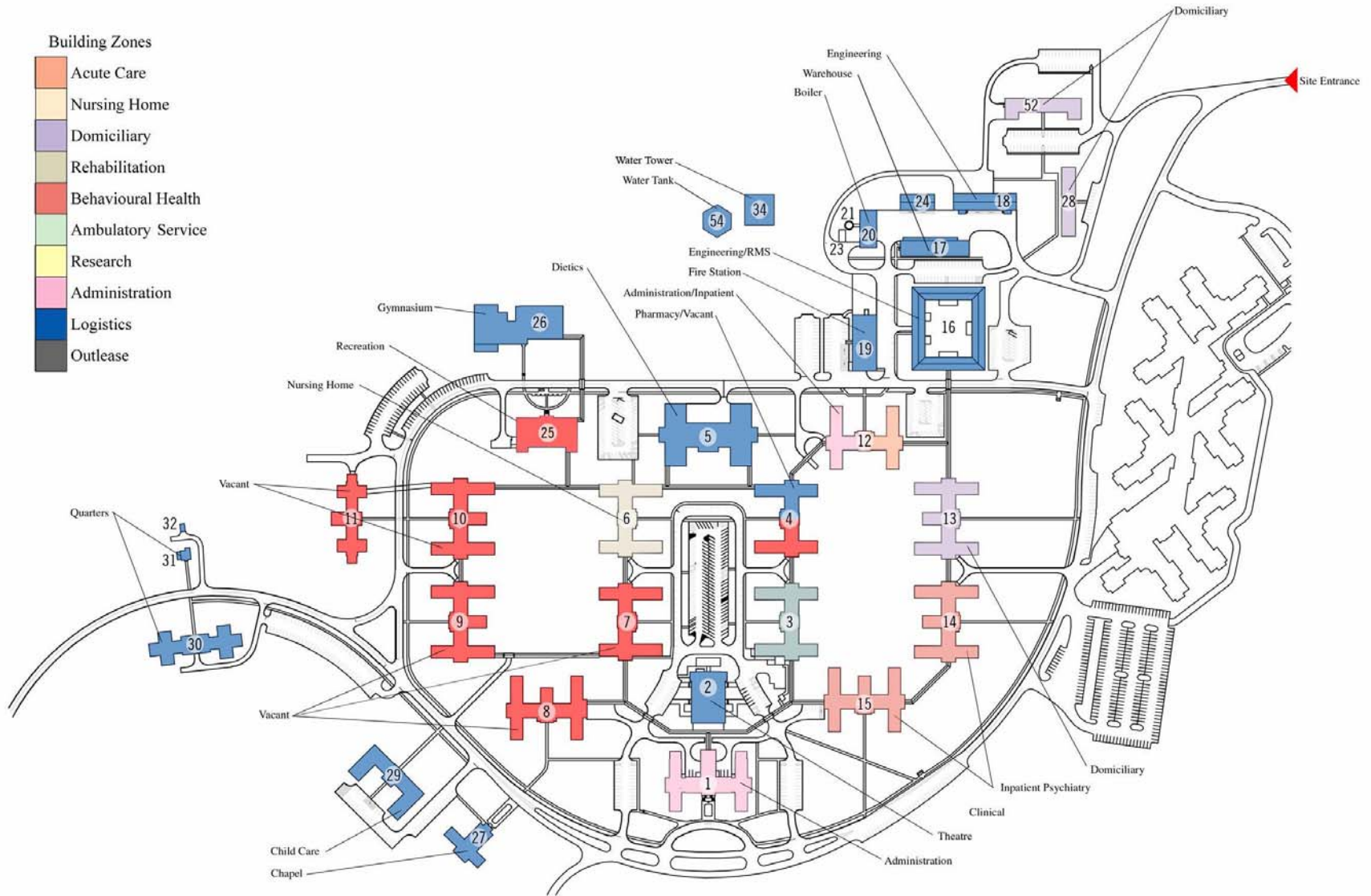


Montrose

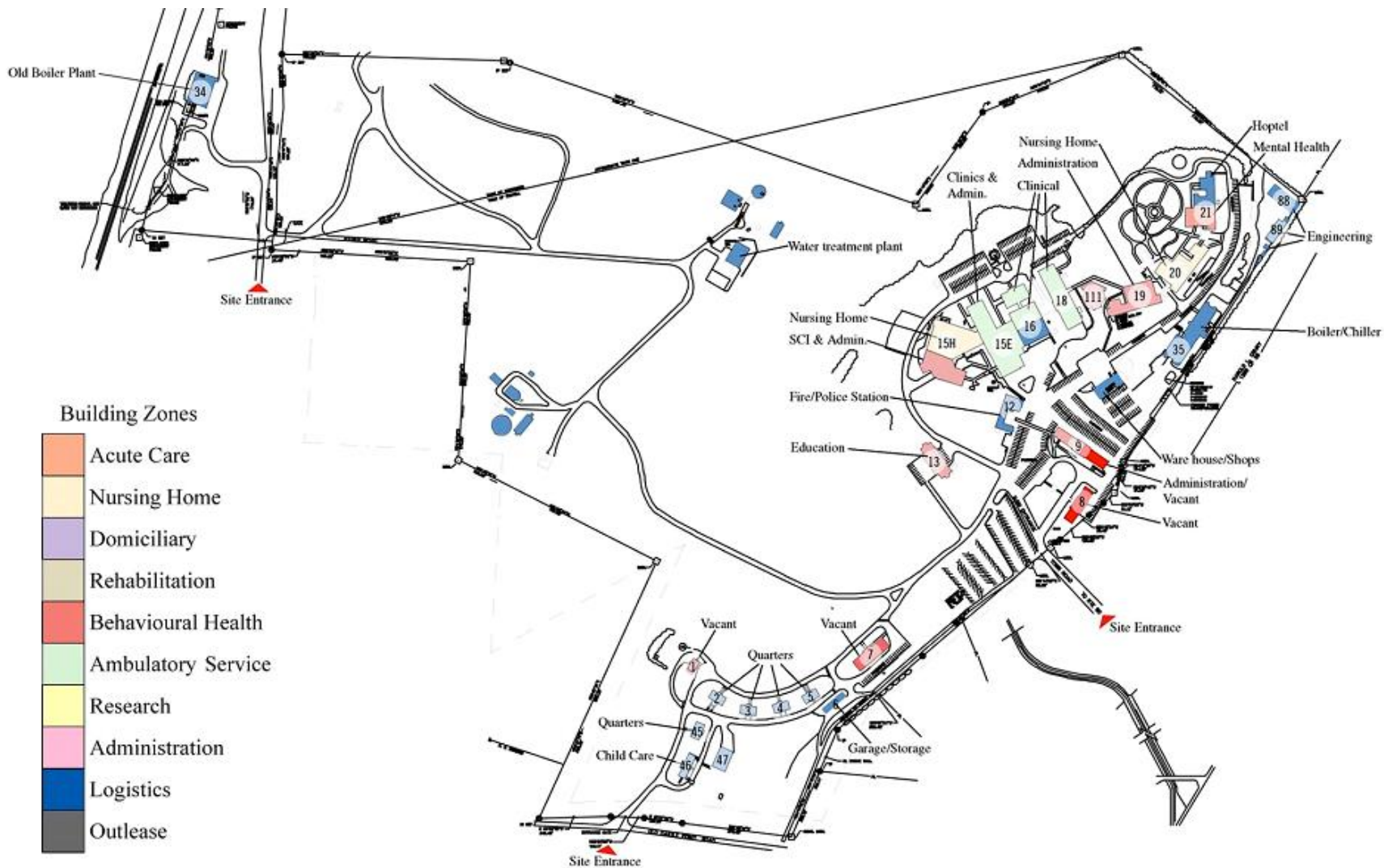


Castle Point

Map of Montrose VAMC



Map of Castle Point VAMC



Montrose/Castle Point Site Overview

■ The Montrose/Castle Point VAMCs:

- ◆ The Montrose and Castle Point VAMCs are part of the Hudson Valley Health Care System within VISN 3
- ◆ The Montrose VAMC
 - Is located in Northern Westchester County, NY.
 - Is a 53-year-old facility on 177 acres overlooking the Hudson River.
 - Was built in stages beginning in 1947 for a capacity of 1,984 hospital beds and now operates 291 beds.
- ◆ The Castle Point VAMC
 - Is located in Dutchess County, NY on 105 acres of land along the Hudson River.
 - Has 51 buildings.
 - Was originally built for 600 tuberculosis beds and now operates 122 inpatient beds.

Montrose/Castle Point Services Overview

The Montrose/Castle Point VAMCs:

◆ Montrose

- Services include: primarily psychiatric, psychosocial residential and nursing home services in addition to a full service outpatient clinic.

◆ Castle Point

- Services include: outpatient clinic, nursing home, inpatient medical, and spinal cord injury services.

Current Status & Projections

- The Montrose/Castle Point market (Metro New York) consists of approximately 169,000 enrolled veterans.
- Over the next 20 years:
 - ◆ The number of enrolled veterans in Priority Groups 1-6 is expected to decrease 21%, from 100,062 to 78,963
- The number of enrolled veterans in every age category is expected to decrease, except for those 85 years and older.

Current Status & Projections

■ Montrose

- ◆ A beautiful site extending to the Hudson River.
- ◆ The VAMC has a capacity for 1,984 beds, but now operates 291 beds.
- ◆ Comprises a total of just over 1 million square feet.
- ◆ 27 of the buildings on the site are in the VA's database of historic sets of buildings, including the flagpole and greenhouse.
- ◆ Approximately 33% of the VAMC is vacant or underutilized.
- ◆ Operates its own fire station.
- ◆ Most buildings are sprinklered. About half of the buildings have either limited or no accessibility for the handicapped.
- ◆ The buildings that are occupied are continuing to be maintained; however, current on-going maintenance (both for the occupied buildings and the infrastructure) is estimated at about \$38 million.
- ◆ Local area residents living to the southeast of the facility must use the roads on the Montrose VAMC to access their homes.

Current Status & Projections

■ Castle Point

- ◆ A beautiful site extending to the Hudson River, although Castle Point's river frontage is less than that at Montrose.
- ◆ The VAMC had a capacity for 600 beds but now operates 122 beds.
- ◆ The original buildings date to the 1920s and construction of new support buildings has been ongoing ever since. The original generator building was built in 1950 (and many others in 1982), the boiler building was built in 1980, and the Hamilton Fish wing was built in 1989.
- ◆ Comprises a total of just over a half million square feet.
- ◆ The buildings are generally well maintained and are in good condition considering their age. Patient care buildings are fully sprinklered. Some of the older buildings have water problems in the basements, some of which are occupied with patient care functions.
- ◆ None of the VAMC buildings are in the VA's database of historic buildings.
- ◆ Approximately 5% of the VAMC is vacant or underutilized.

Options Development

“Universe” of Considered Options

**Stakeholder
Input**

**Capital Planning
Options**

**Re-use
Options**

Initial Screening Criteria:

ACCESS

Would maintain or improve overall access to primary and acute hospital healthcare

QUALITY OF CARE

Would maintain or improve overall quality of healthcare:

- *Capability to provide care*
- *Workload at each facility*
- *Modern, Safe, Secure*

COST

Has the potential to offer a cost-effective use of VA resources

Team PwC developed Comprehensive BPOs for Stage I

Discriminating Criteria:

- **Healthcare Quality**
- **Healthcare Access**
- **Making the best use of VA resources**
- **Ease of Implementation**
- **Ability to Support Wider VA Programs**
- **Impact of BPO on VA and Local Community**

Options Overview

“Universe” of Considered Options

Capital Planning
Options

TOTAL = 12

Re-Use
Options

TOTAL = 8

Initial Screening for Access, Quality, Cost

Business Plan
Options (BPOs)

TOTAL = 10

Assessed for Stage I Report

Summary of Options for Montrose/Castle Point

Montrose

- ◆ A Baseline option accounting for projected volumes for the remaining services, to be consolidated in renovated buildings.

- ◆ Five options to build a new domiciliary facility and outpatient clinic on various portions of the current site.



Castle Point

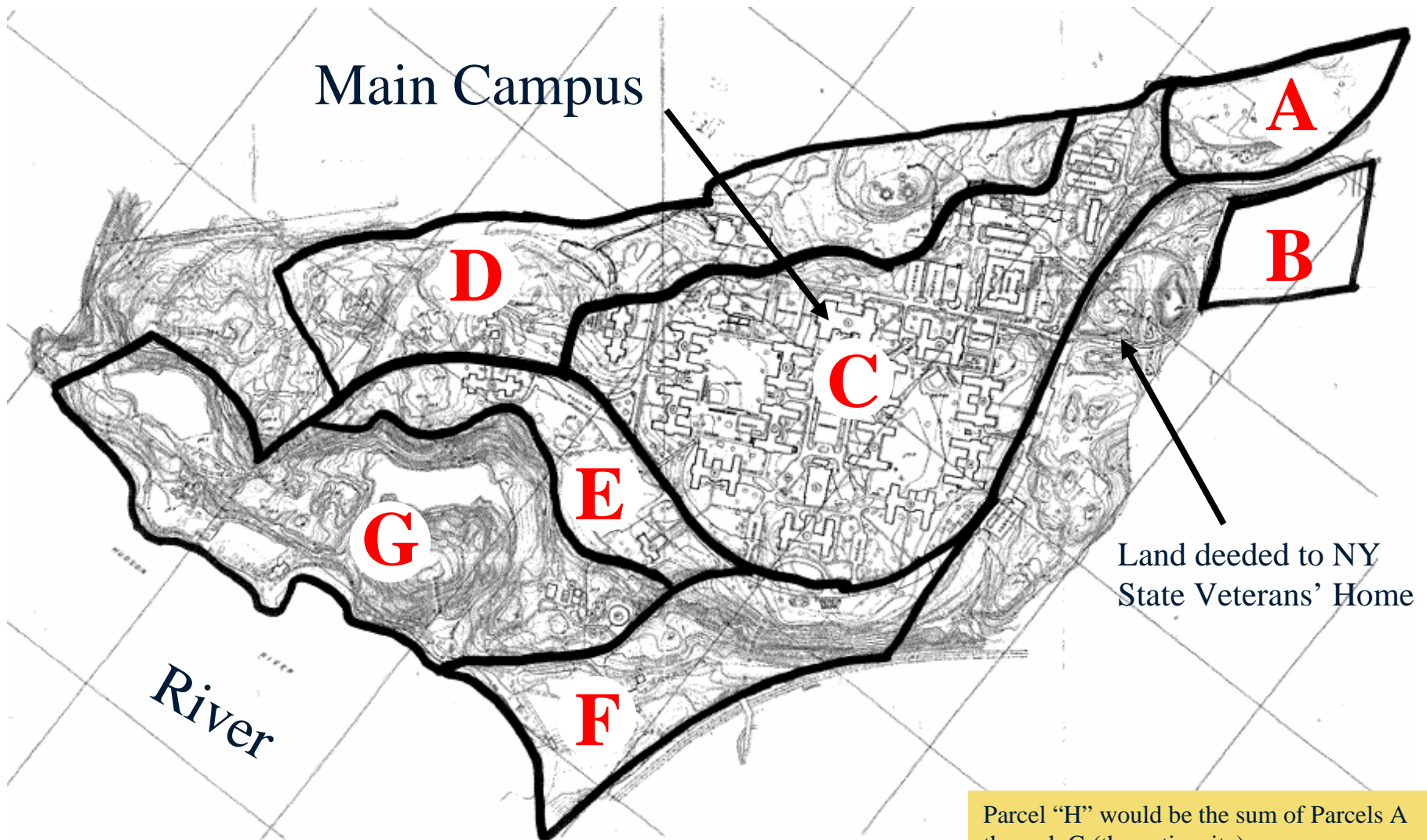
- ◆ A Baseline option accounting for projected volumes including transfers in from Montrose and out to the Bronx, to be consolidated in new or renovated buildings.

- ◆ Three options to build new facilities housing both inpatient, nursing home and outpatient services.
- ◆ One option that combines new facilities (for inpatients and the nursing home) and renovated facilities (for outpatients).



These options can be combined. Any of the five options at Montrose can be paired with any of the four options at Castle Point.

Real Estate Parcels at Montrose



Parcel "H" would be the sum of Parcels A through G (the entire site).

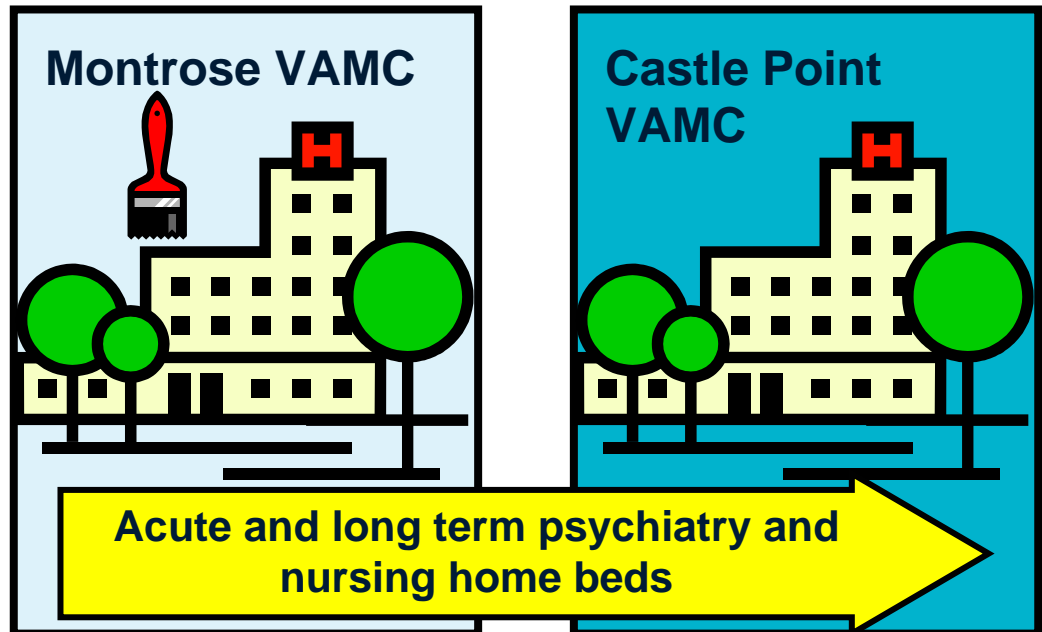
BPO 1: Montrose Baseline Option

[CP-1/RU-A, B, D, E, F, G]

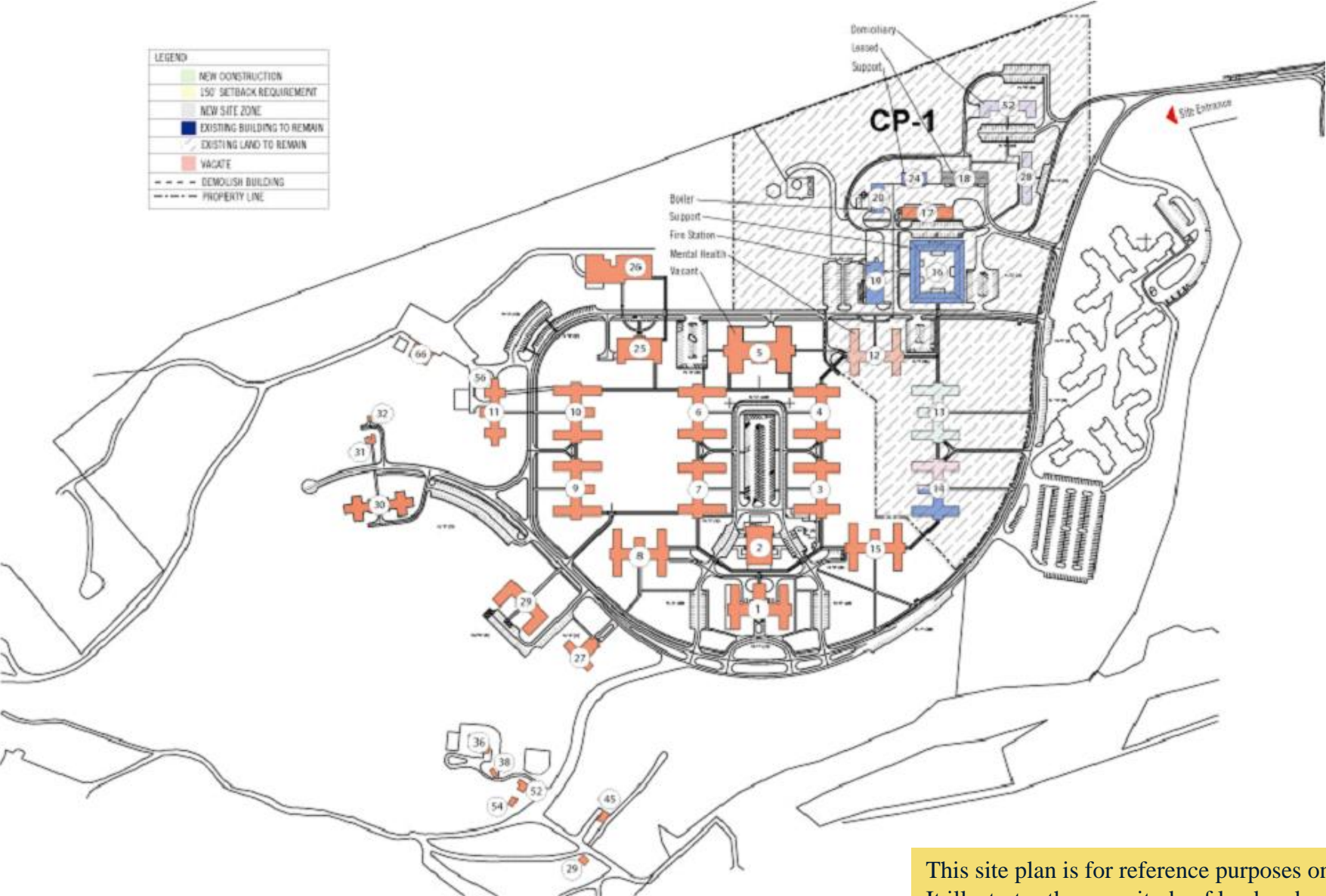
A Baseline option reflects the:

Current state projected out to 2013 and 2023 accounting for projected volumes for the remaining services, to be consolidating in renovated buildings, and assuming same or better quality, and necessary improvements for a safe, secure, and modern healthcare environment

Outpatient and domiciliary services remain on the Montrose site. Acute psychiatry beds, long term psychiatry, and nursing home beds will be moving to Castle Point in new or renovated facilities.



BPO 1: Montrose Concept



This site plan is for reference purposes only. It illustrates the magnitude of land and buildings required to achieve the required capacity. It is not a design.

BPO 1: Assessment, Montrose Baseline Option

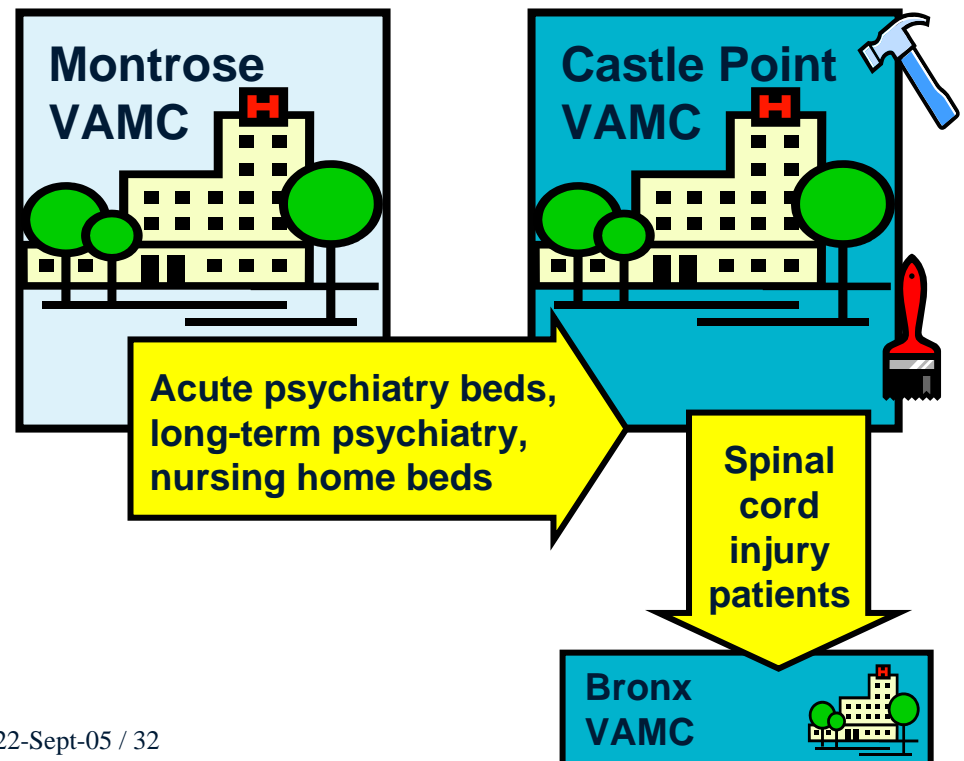
Healthcare Access	Maintains current drive-time access.
Healthcare Quality	Improves site safety by bringing buildings up to current codes and standards. Facility sized to meet projected demand: 127,000 outpatient visits, a census of 57 domiciliary patients.
Cost Effectiveness	Significant capital required for renovations.
Ease of Implementation	Complex phasing of renovations and relocations.
Wider VA Program Support	No change; permits consideration of National Cemetery Administration (NCA) request for 20 acres.

BPO 1: Castle Point Baseline Option [CP-1]

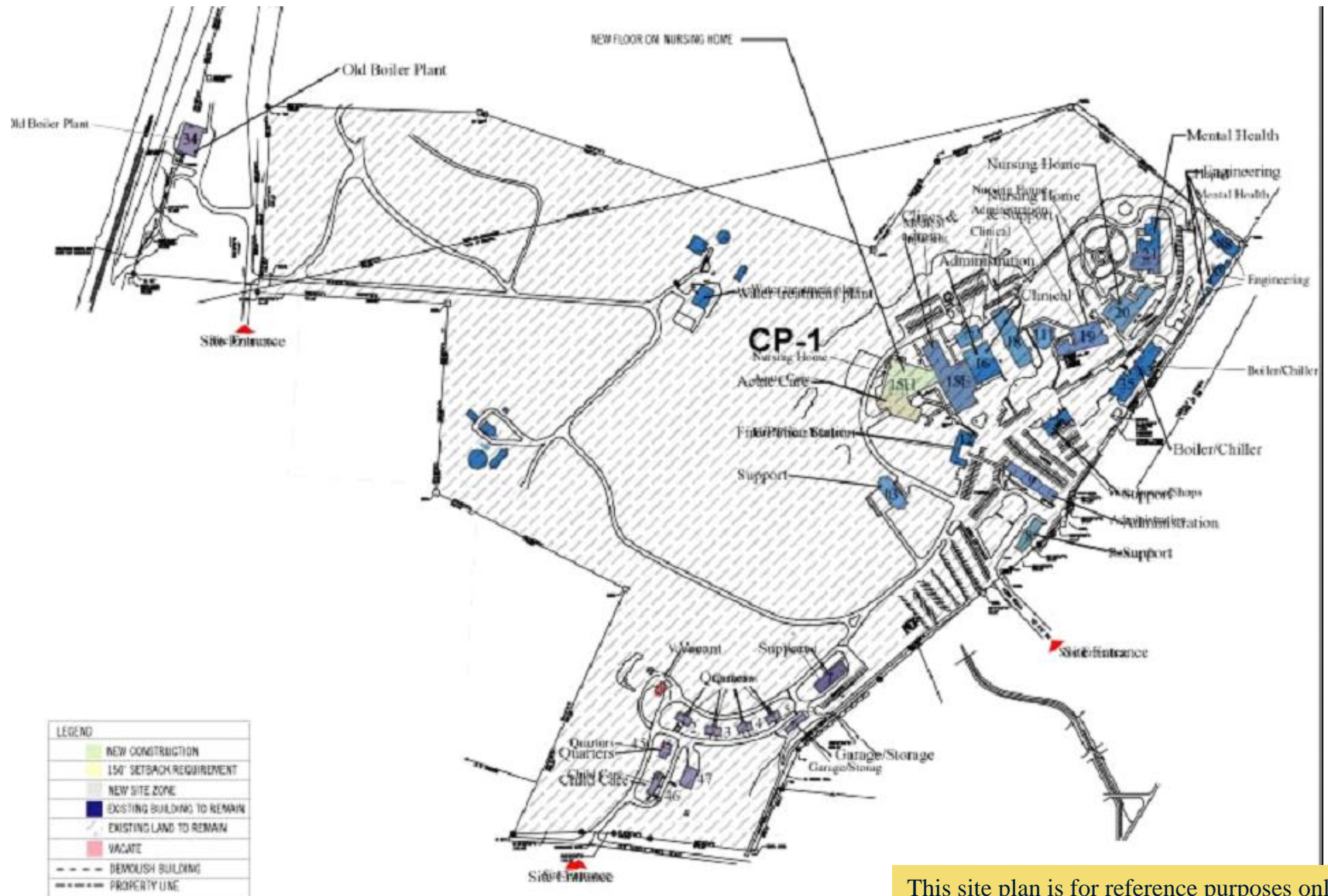
A Baseline option reflects the:

Current state projected out to 2013 and 2023 including transfers in from Montrose and out to Bronx, to be consolidated in renovated buildings, assuming same or better quality, and necessary improvements for a safe, secure, and modern healthcare environment

Spinal cord injury patients will be transferred to the Bronx, and acute psychiatry, long-term psychiatry and nursing home patients will be transferred from Montrose to Castle Point. Extensive renovation and some new construction to accommodate transferred volume from Montrose. Other services remain unchanged.



BPO 1: Castle Point Concept



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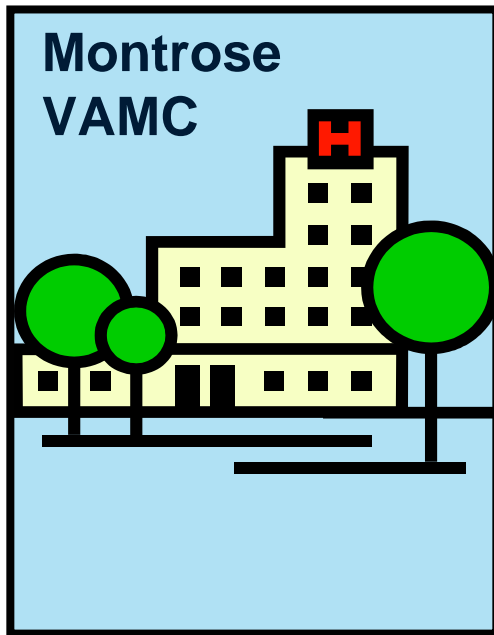
BPO 1: Assessment, Castle Point Baseline Option

Healthcare Access	Maintains current drive-time access.
Healthcare Quality	Improves site safety by bringing buildings up to current codes and standards. Facility sized to meet projected demand of 162,000 outpatient visits and an inpatient census of 192.
Cost Effectiveness	Significant capital required for renovations and a small amount (18,000 square feet) of new construction.
Ease of Implementation	Complex phasing of renovations and relocations.
Wider VA Program Support	No change.

BPO 2: At Montrose, Build New By Fire Station

[CP-2A/RU-A, B, C, E, F, G]

Outpatient mental health and medical clinics and domiciliary services are replaced in new construction near Fire Station #19. Replace existing water tower and tank in new location. Keep Fire Station #19. Vacate all other existing buildings when new VA facility is complete



**Outpatient Mental
Health and Medical
Clinics and Domiciliary
Services**

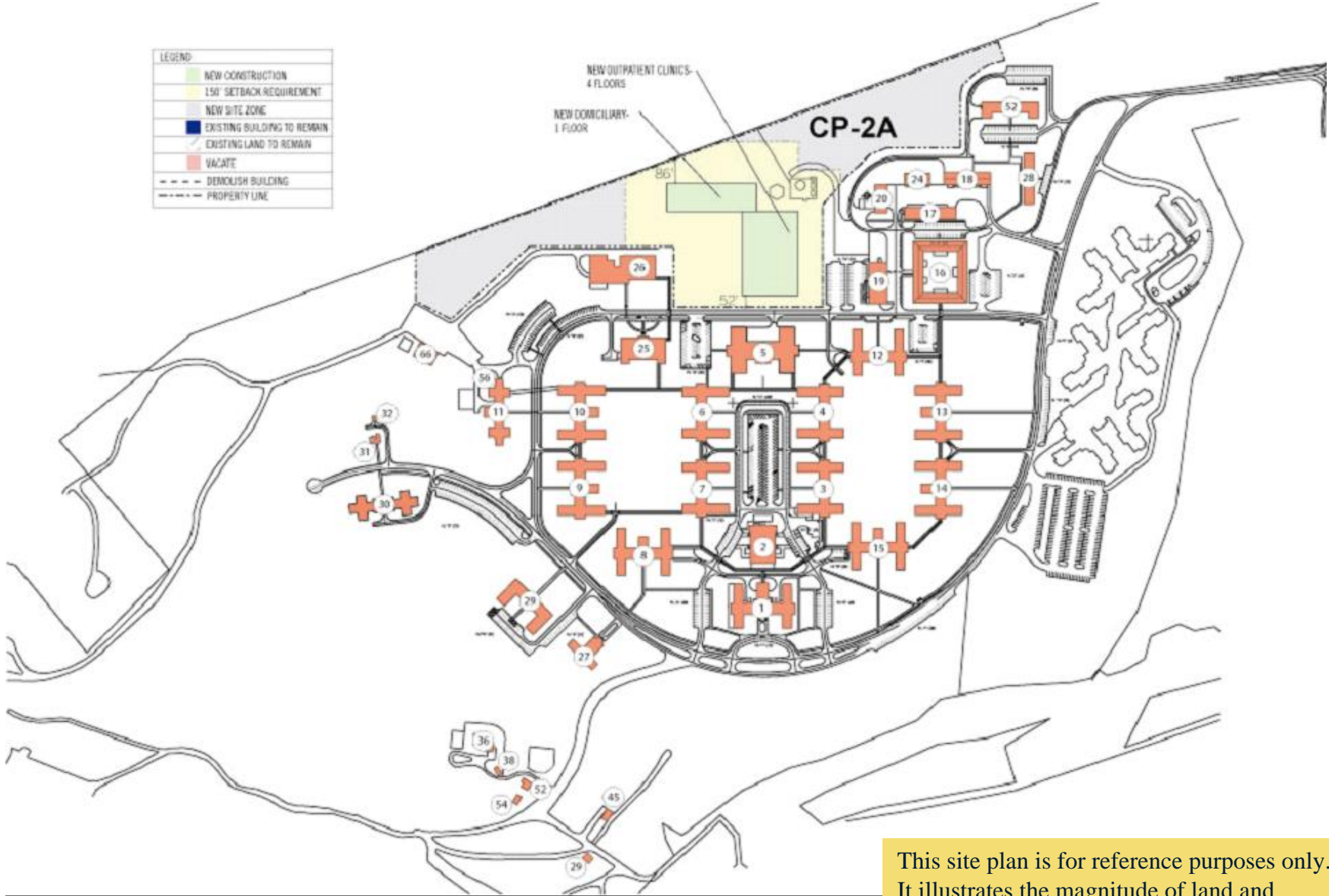


**New VA Facility
near Fire
Station #19**



**Replace existing
water tower and
tank in new
location**

BPO 2: Montrose Concept



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BPO 2: Assessment, At Montrose, Build New By Fire Station

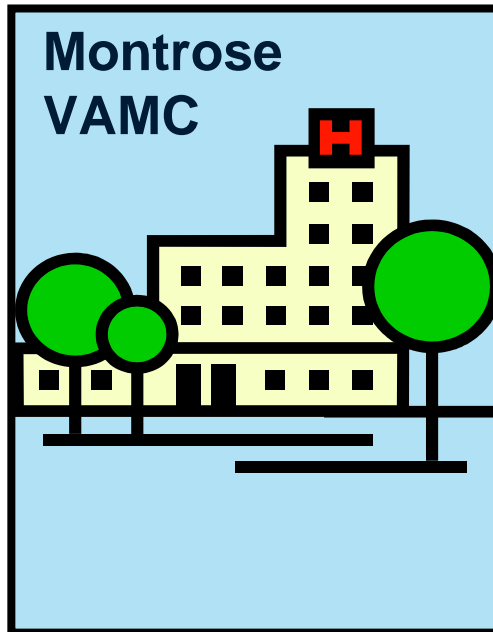
Best features: new facilities in an undeveloped portion of the site with good vehicular access; no required demolition; and strong reuse/redevelopment potential of current facilities.

Healthcare Access	Maintains current drive-time access.
Healthcare Quality	Better than Baseline with completion of new buildings.
Cost Effectiveness	Higher capital cost, lower operating cost, higher potential re-use proceeds.
Ease of Implementation	Easy relocation of services. Some impact to prior redevelopment proposals.
Wider VA Program Support	Comparable to Baseline.

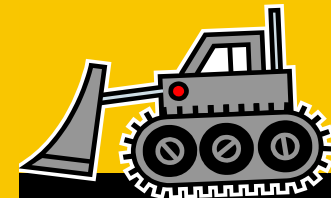
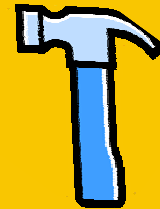
BPO 3: At Montrose, Build New By Engineering Warehouse

[CP-2B/RU-A, B, D, E, F, G]

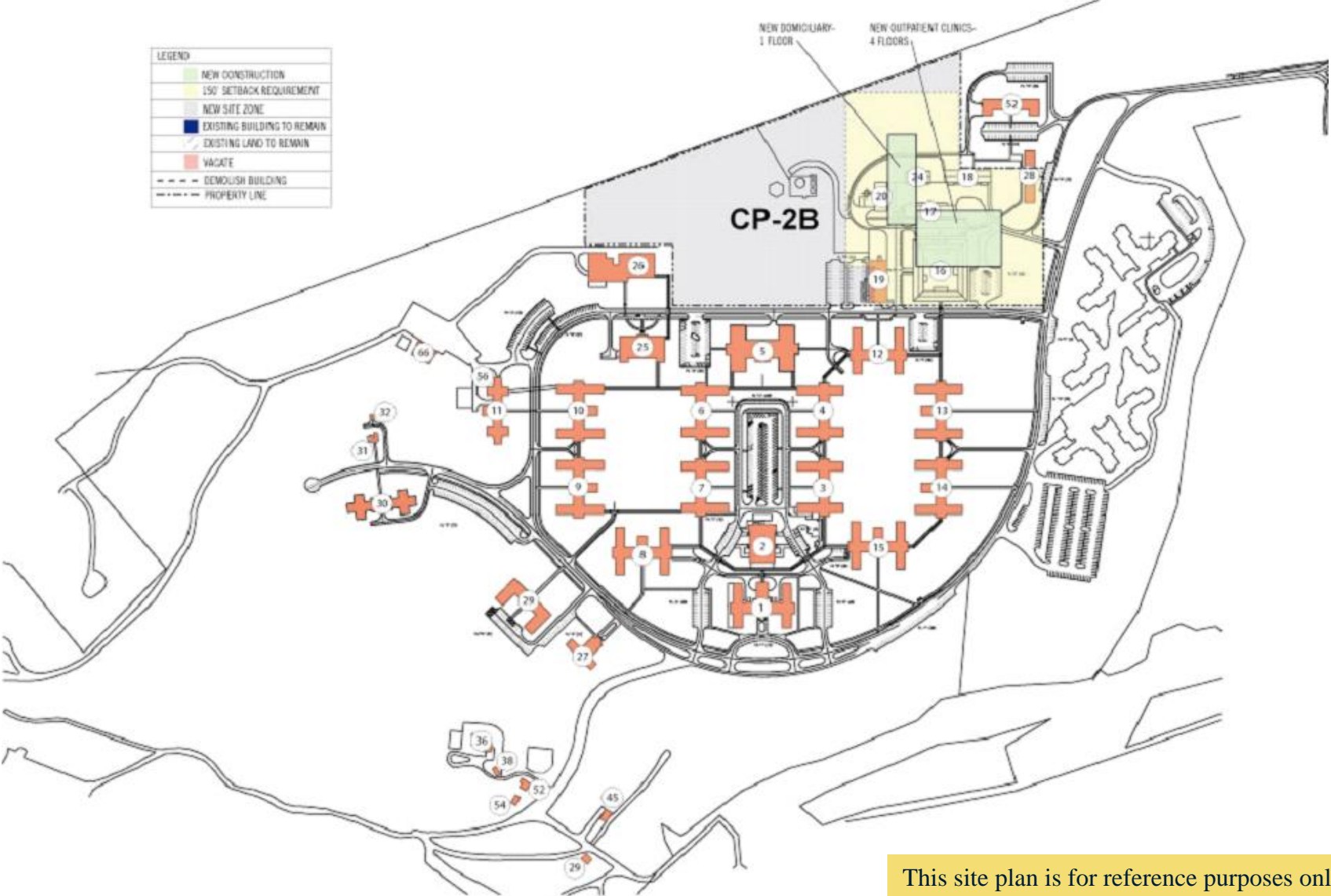
Outpatient mental health and medical clinics and domiciliary services are replaced in new construction in current logistics area. Demolish four existing buildings. Keep Fire Station #19. Vacate all other existing buildings when new VA facility is complete



**Outpatient Mental
Health and Medical
Clinics and Domiciliary
Services**



BPO 3: Montrose Concept



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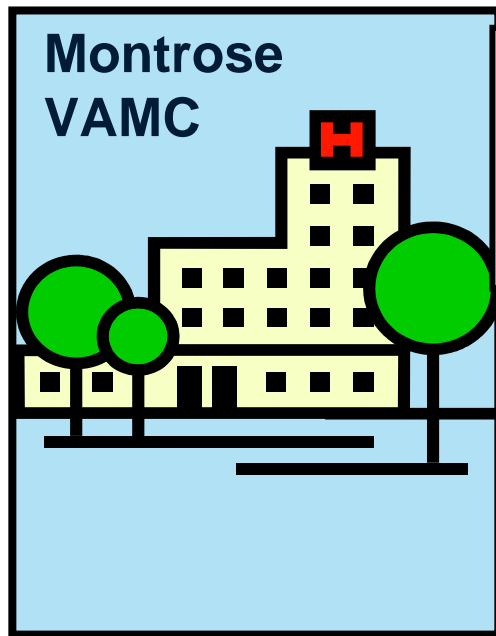
BPO 3: Assessment, At Montrose, Build New By Engineering Warehouse

Best features: new facilities in as small a footprint as possible near the main vehicular entrance.

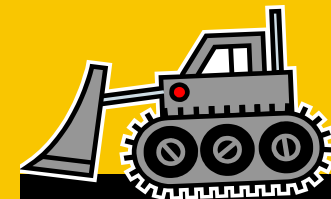
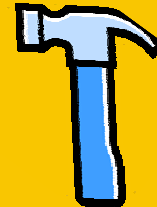
Healthcare Access	Maintains current drive-time access.
Healthcare Quality	Better than Baseline with completion of new buildings.
Cost Effectiveness	Higher capital cost, lower operating cost, higher potential re-use proceeds.
Ease of Implementation	Complex phasing.
Wider VA Program Support	Comparable to Baseline.

BPO 4: At Montrose, Build New By Current Domiciliary and Inpatient Psychiatry [CP-2C/RU-A, B, D, E, F, G]

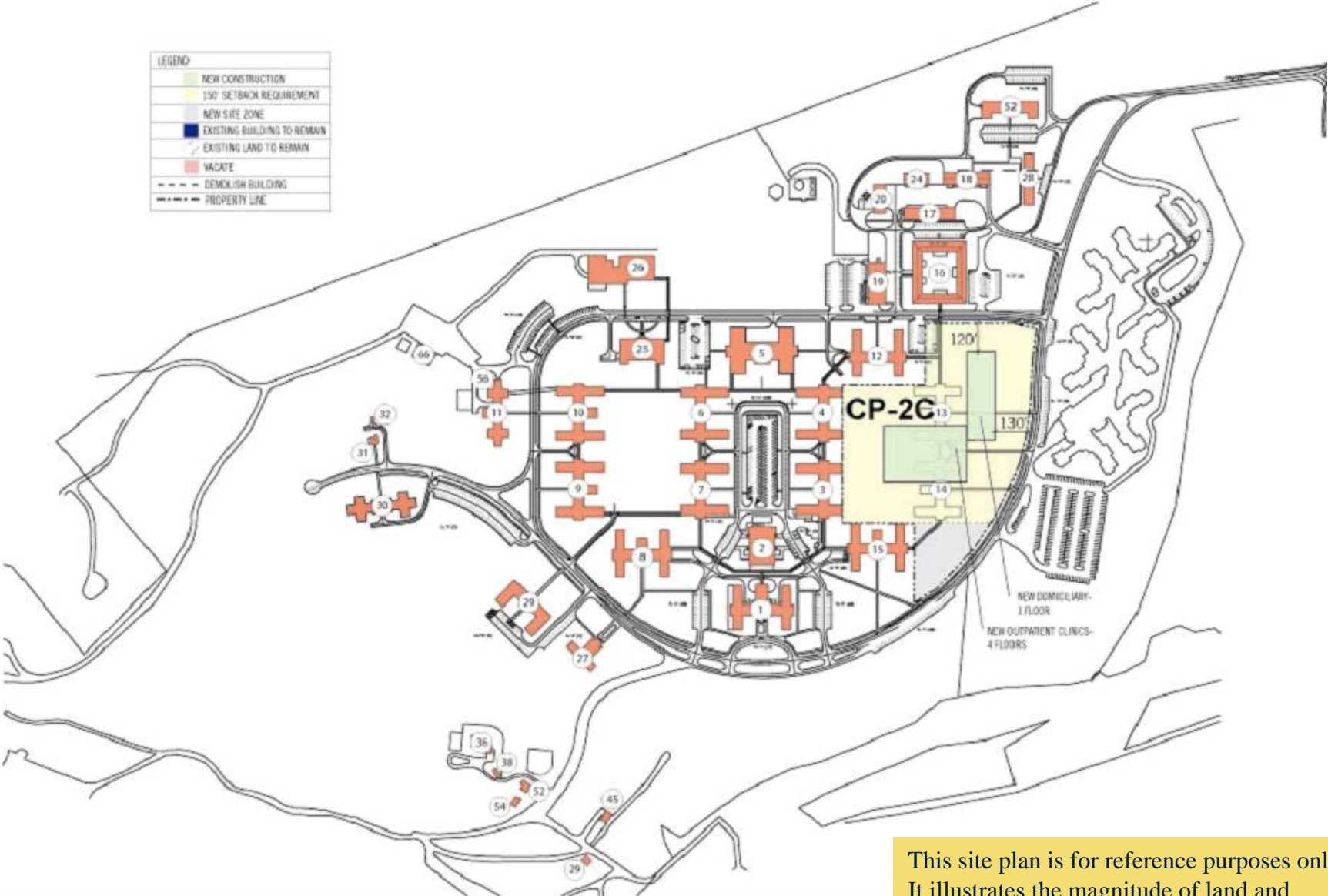
Outpatient mental health and medical clinics and domiciliary services are replaced with new construction in area of Buildings #13 and #14. Demolish Buildings #13 and #14. Keep Fire Station #19. Vacate all other existing buildings when new VA facility is complete



**Outpatient Mental
Health and Medical
Clinics and Domiciliary
Services**



BPO 4: Montrose Concept



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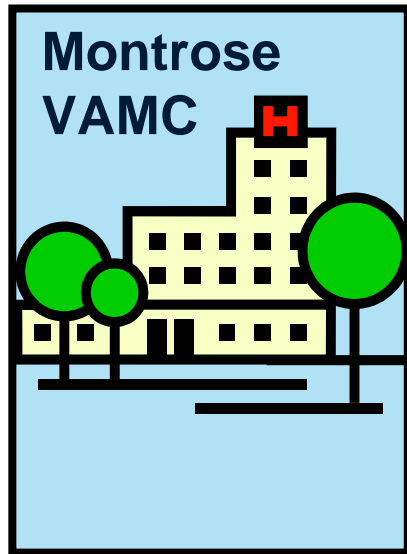
BPO 4: Assessment, At Montrose, Build New By Current Domiciliary and Inpatient Psychiatry

Best features: new facilities in a familiar/historic portion of the campus.

Healthcare Access	Maintains current drive-time access.
Healthcare Quality	Better than Baseline with completion of new buildings.
Cost Effectiveness	Higher capital cost, lower operating cost, higher potential re-use proceeds.
Ease of Implementation	Complex phasing. Some impact to prior redevelopment proposals.
Wider VA Program Support	Comparable to Baseline.

BPO 5: At Montrose, Build New Domiciliary New Outpatient Service in Two Locations [CP-2E/RU-A, B, D, F, G]

Outpatient mental health and medical clinics are replaced in new construction in area of Building #52. Domiciliary services are replaced by new construction near Building #30. Demolish Buildings # 24 and #17. Keep Fire Station #19. Vacate all other existing buildings when new VA facility is complete.



**Outpatient
Mental Health
and Medical
Clinics**



**New VA Facility:
Near Building #52**



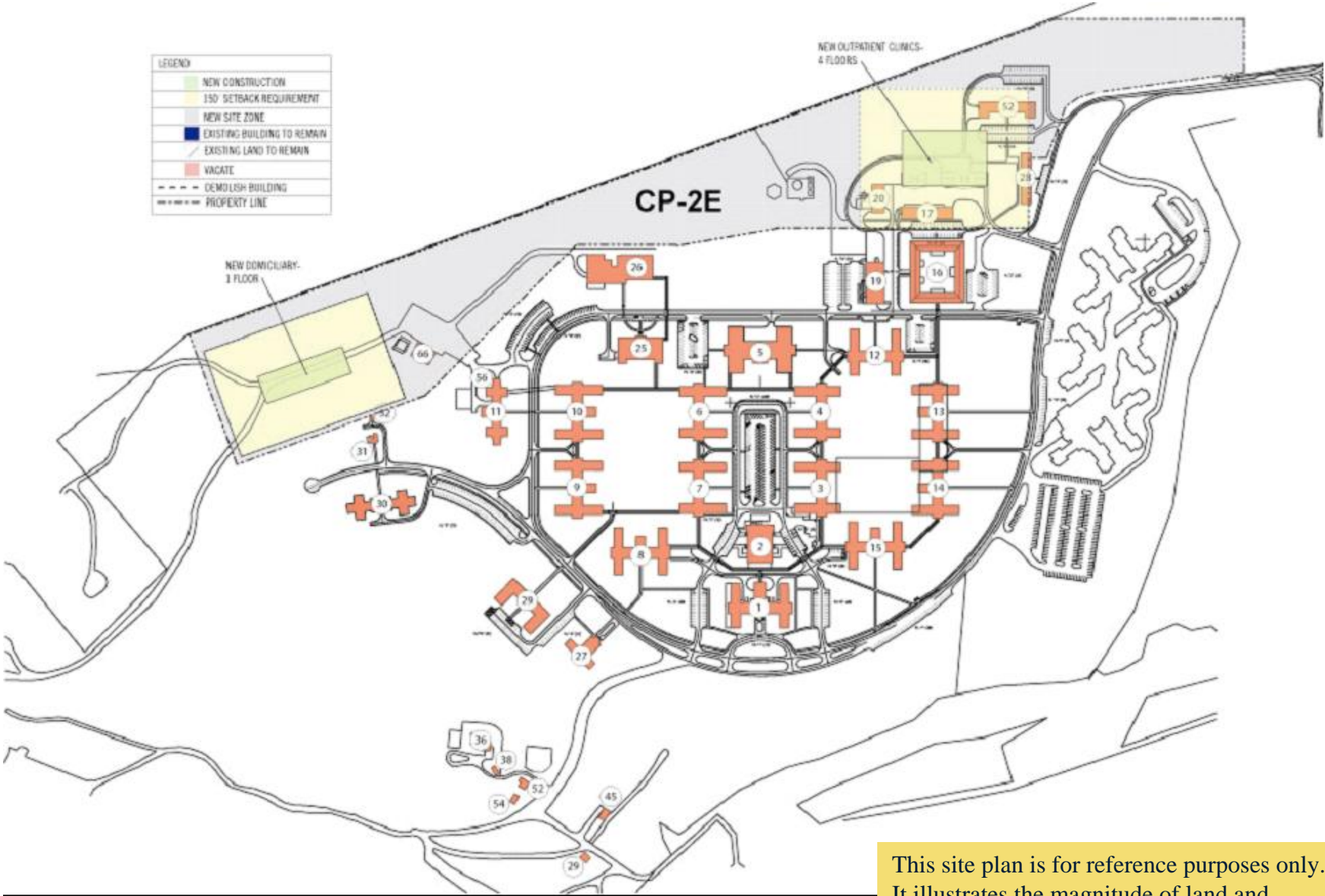
**Demolish Buildings
#24 & #17**

**Domiciliary
Services**



**New Facility:
Near Building #30**

BPO 5: Montrose Concept



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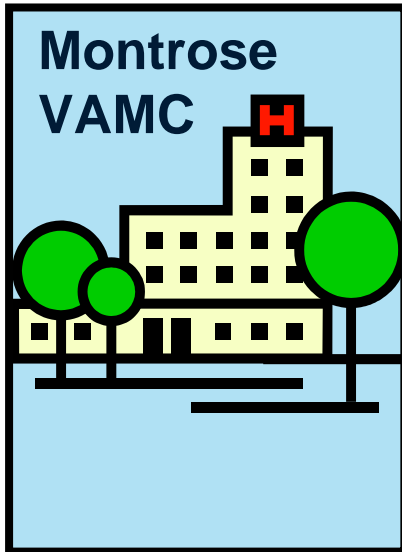
BPO 5: Assessment, At Montrose, Build New Domiciliary by Residential Area and New Outpatient Service in area of Present Domiciliary

Best features: new outpatient facility near main entrance; domiciliary facility in quieter area of site; makes available almost all of current core of campus.

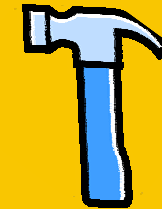
Healthcare Access	Maintains current drive-time access.
Healthcare Quality	Better than Baseline with completion of new buildings.
Cost Effectiveness	Higher capital cost, lower operating cost, higher potential re-use proceeds.
Ease of Implementation	Highly complex. No impact to prior redevelopment proposals.
Wider VA Program Support	Comparable to Baseline.

BPO 6: At Montrose, Build New Domiciliary and New Outpatient Service in Two Locations [CP-2F/RU-B, D, F, G]

Construct new VA outpatient mental health and medical clinics on a land parcel adjacent to Route 9A. Domiciliary services are replaced by new construction near Building #30. Keep Fire Station #19. Vacate all other existing buildings when new VA facility is complete.



**Outpatient
Mental Health
and Medical
Clinics**



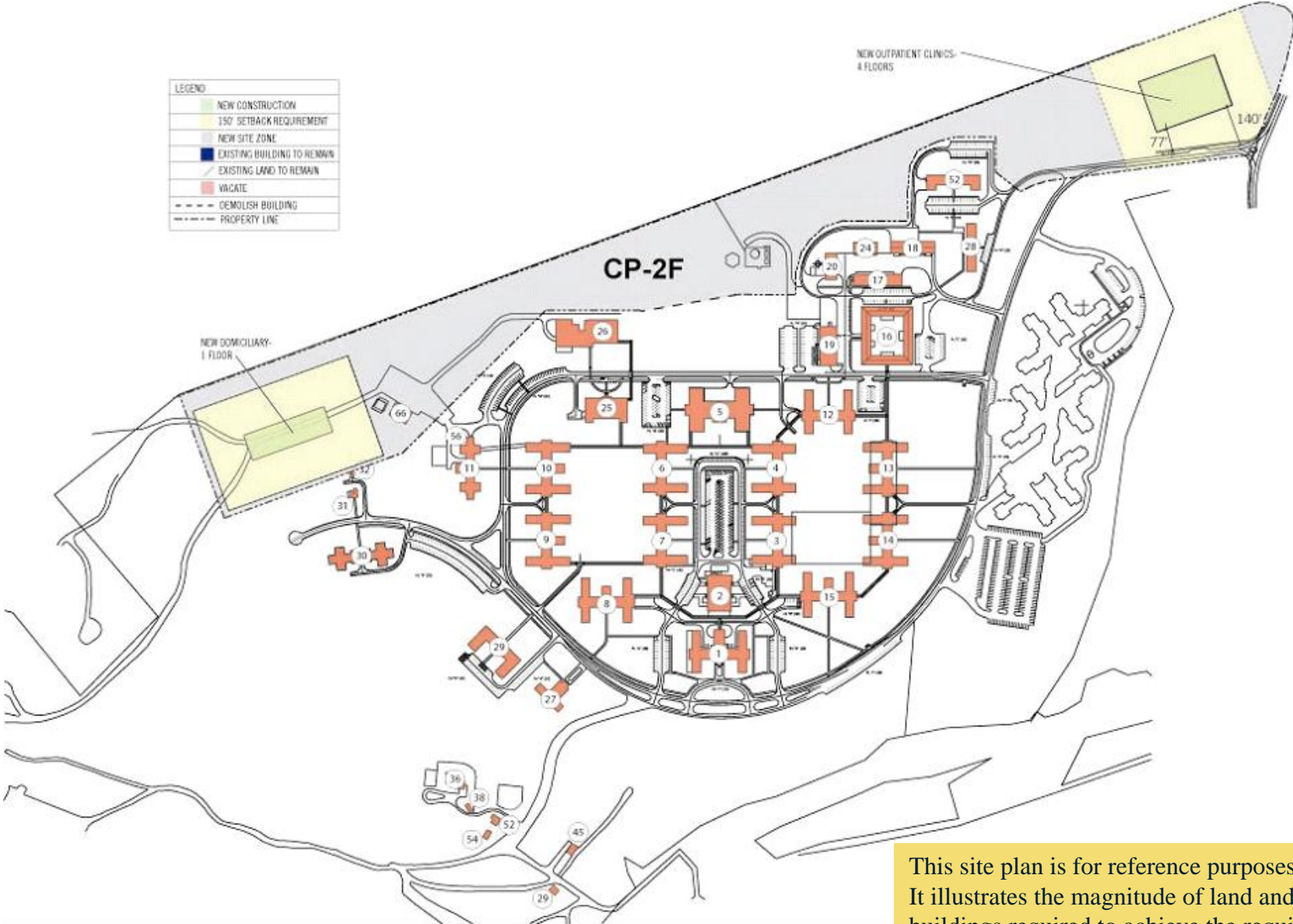
**New Facility: Off
Route 9A**

**Domiciliary
Services**



**New Facility:
Near Building #30**

BPO 6: Montrose Concept



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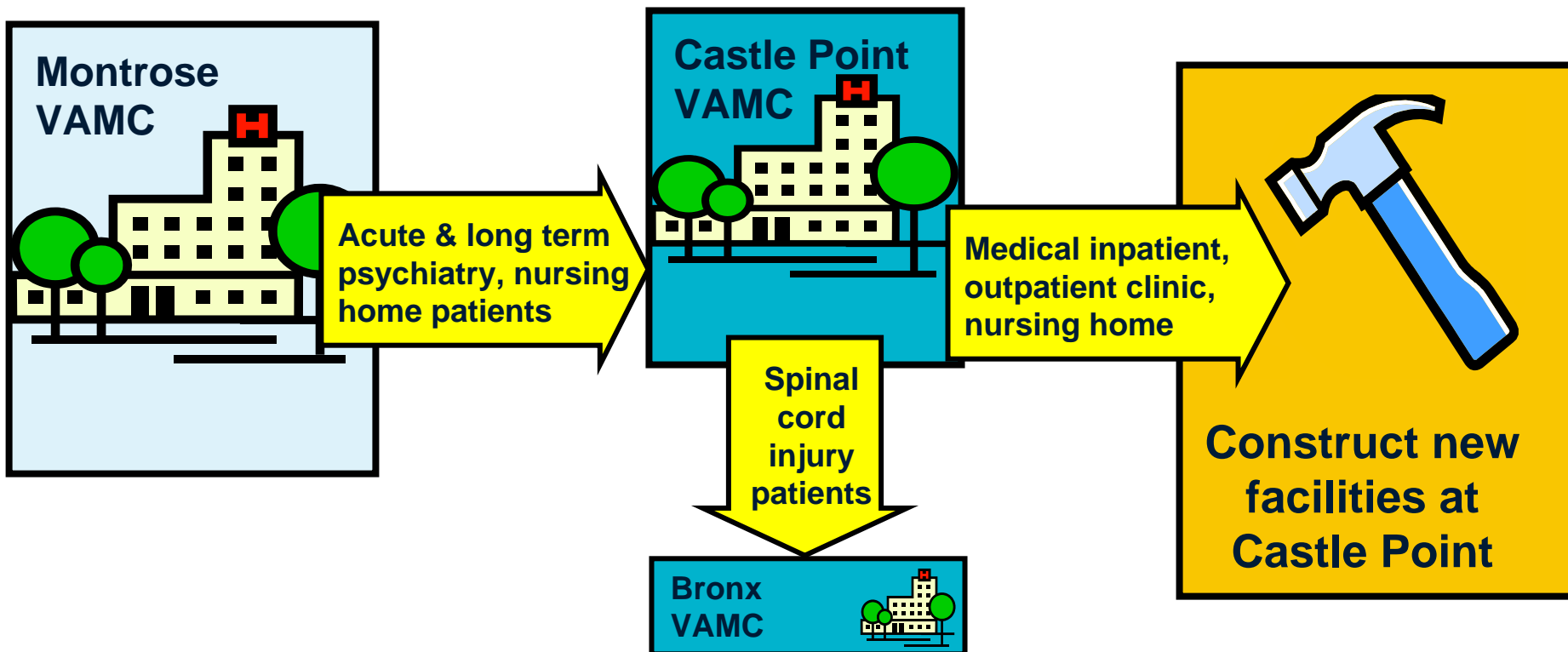
BPO 6: Assessment, At Montrose, Build New Domiciliary and New Outpatient Service in Two Locations

Best features: new outpatient facility as close as possible to main vehicular entrance; no required demolition; makes available all of current core campus; domiciliary facility in quieter area of site; strong reuse/redevelopment potential.

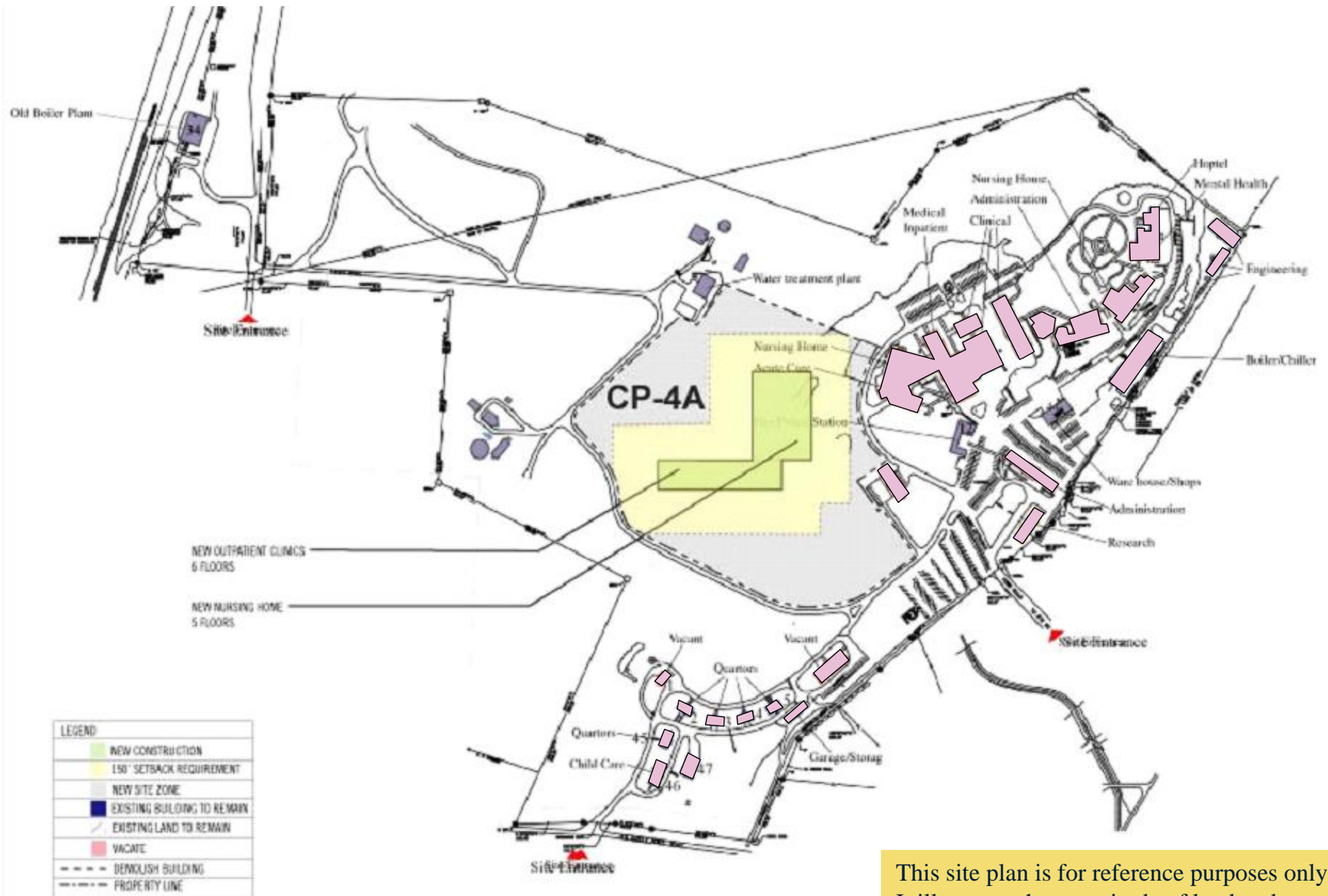
Healthcare Access	Maintains current drive-time access.
Healthcare Quality	Better than Baseline with completion of new buildings.
Cost Effectiveness	Higher capital cost, lower operating cost, higher potential re-use proceeds.
Ease of Implementation	Highly complex. Significant impact to prior redevelopment proposals.
Wider VA Program Support	Comparable to Baseline.

BPO 7: At Castle Point, Build New Facility by Education Building [CP-4A]

Construct a new medical inpatient, outpatient clinic, and nursing home facilities near the current education Building #13. Facility also accommodates acute psychiatry, long-term psychiatry, and nursing home patients from Montrose. Keep fire station and sewage treatment plant, and vacate all other existing buildings



BPO 7: Castle Point Concept



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BPO 7: Assessment, At Castle Point, Build New Facility by Education Building

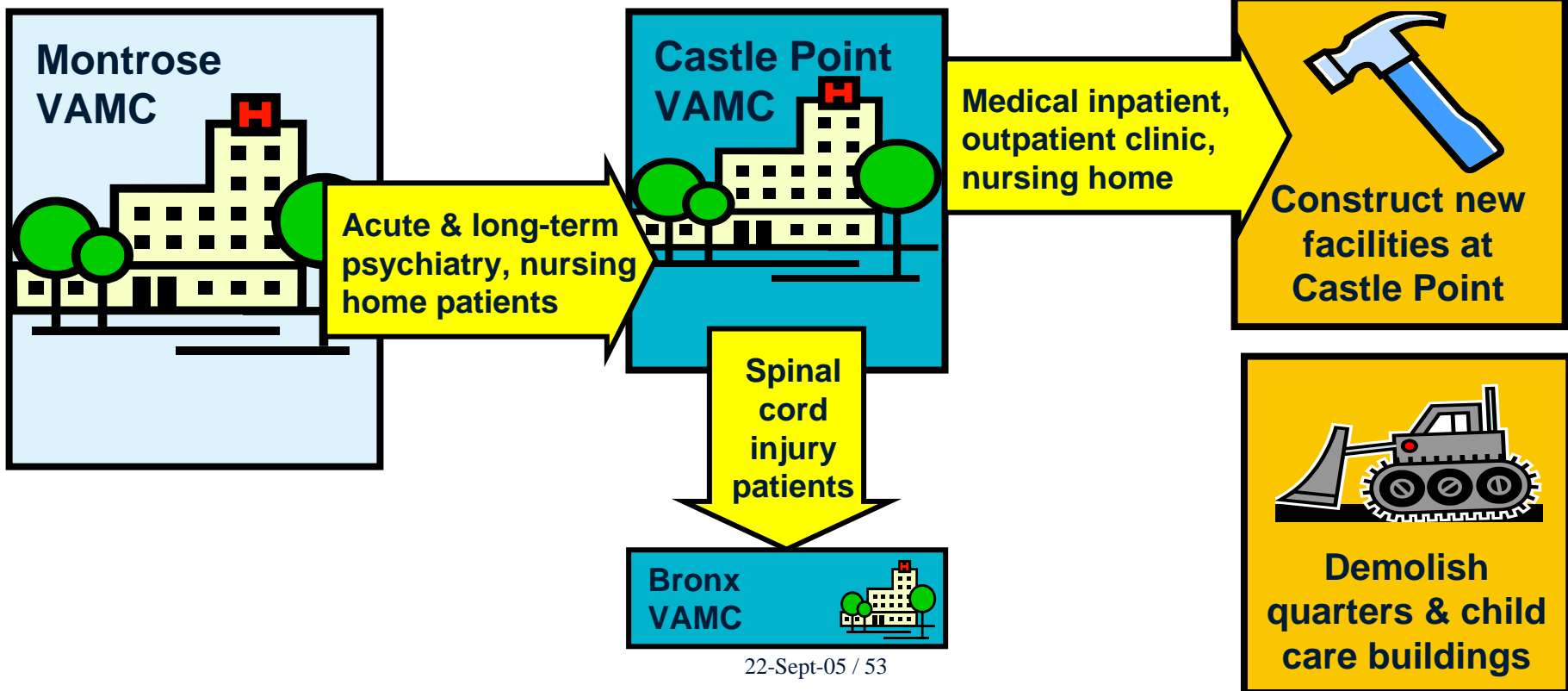
Best features: new facilities near main entrance; located at the top of campus with excellent views; easy to stage construction on the site; no demolition required.

Healthcare Access	Comparable to Baseline.
Healthcare Quality	Better than Baseline – improved VA facilities at current code. Maintains site security.
Cost Effectiveness	Significantly higher capital costs with all-new construction. Some improvement to operating efficiency.
Ease of Implementation	Better than Baseline. Easy relocation of services.
Wider VA Program Support	Comparable to Baseline.

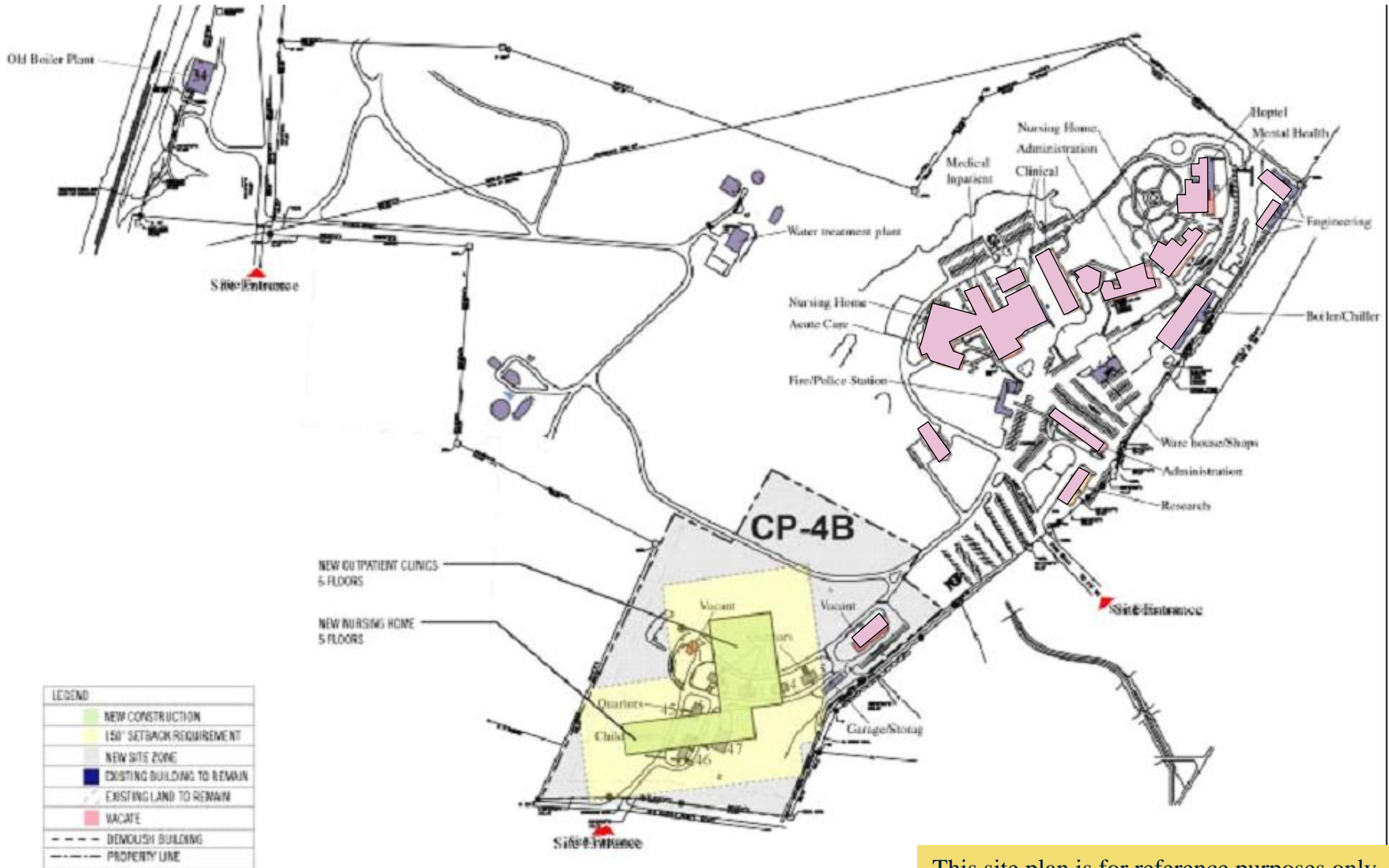
BPO 8: At Castle Point, Build New Facility in Residential Area

[CP-4B]

Construct a new medical inpatient, outpatient clinic, and nursing home facilities near the residential quarters. Facility also accommodates acute psychiatry, long-term psychiatry, and nursing home patients from Montrose. Demolish quarters and child care buildings, and vacate all other existing buildings.



BPO 8: Castle Point Concept



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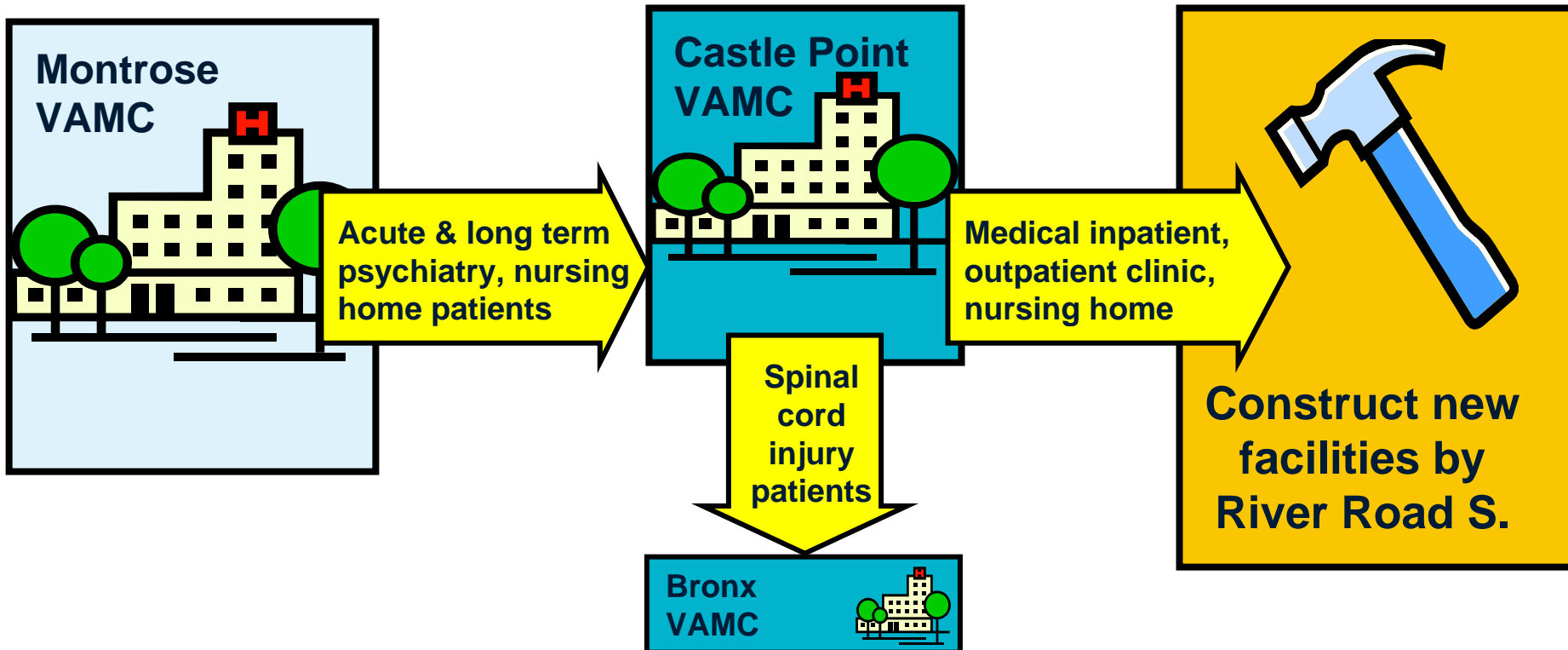
BPO 8: Assessment, At Castle Point, Build New Facility in Residential Area

Best features: smallest possible footprint for new facilities; in a secure corner of the campus; re-use value of the rest of the site is enhanced; easy to stage construction.

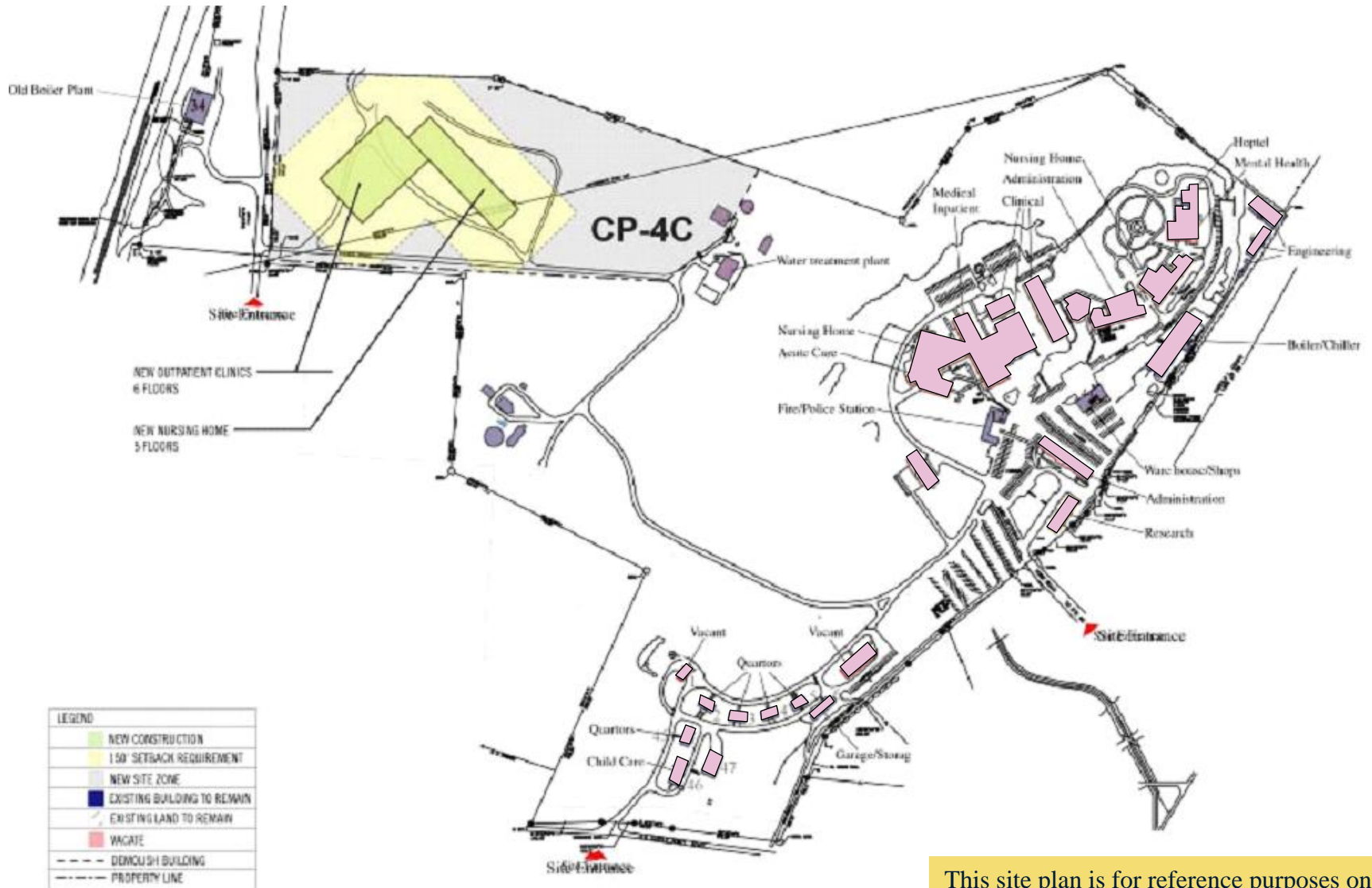
Healthcare Access	Comparable to Baseline.
Healthcare Quality	Better than Baseline – improved VA facilities at current code. Maintains site security.
Cost Effectiveness	Significantly higher capital costs with all-new construction. Some improvement to operating efficiency.
Ease of Implementation	Better than Baseline. Easy relocation of services.
Wider VA Program Support	Comparable to Baseline.

BPO 9: At Castle Point, Replacement / Renovation, River Road South [CP-4C]

Construct a new medical inpatient, outpatient clinic, and nursing home facilities adjacent to River Road South. Facility also accommodates acute psychiatry, long-term psychiatry, and nursing home patients from Montrose.



BPO 9: Castle Point Concept



This site plan is for reference purposes only. It illustrates the magnitude of land and buildings required to achieve the required capacity. It is not a design.

BPO 9: Assessment, At Castle Point, Ambulatory Replacement / Renovation, River Road South

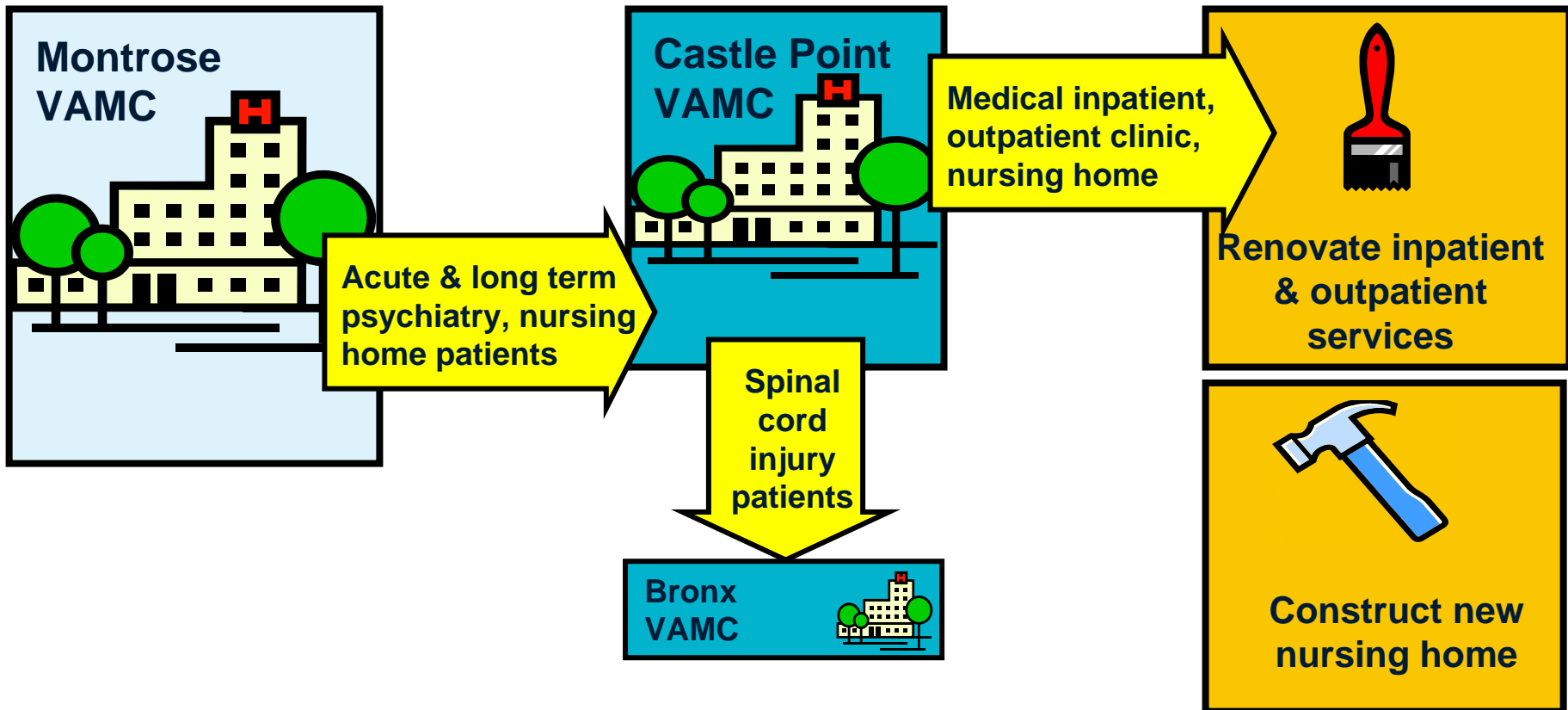
Best features: new consolidated inpatient and outpatient facilities near the waterfront; re-use value of the rest of the site is enhanced; easy to stage construction.

Healthcare Access	Comparable to Baseline.
Healthcare Quality	Better than Baseline – improved facilities at current code. Maintains site security.
Cost Effectiveness	Significantly higher capital costs with all-new construction. Some improvement to operating efficiency.
Ease of Implementation	Comparable to Baseline. Easy relocation of services. Location of new VA facility near waterfront residential area.
Wider VA Program Support	Comparable to Baseline.

BPO 10: At Castle Point, Replace Buildings 19, 20, and 21

[CP-5A]

Renovate existing buildings to accommodate medical inpatients and outpatient clinics, and construct a new nursing home facility. Renovation also accommodates acute psychiatry, long-term psychiatry, and nursing home patients from Montrose.

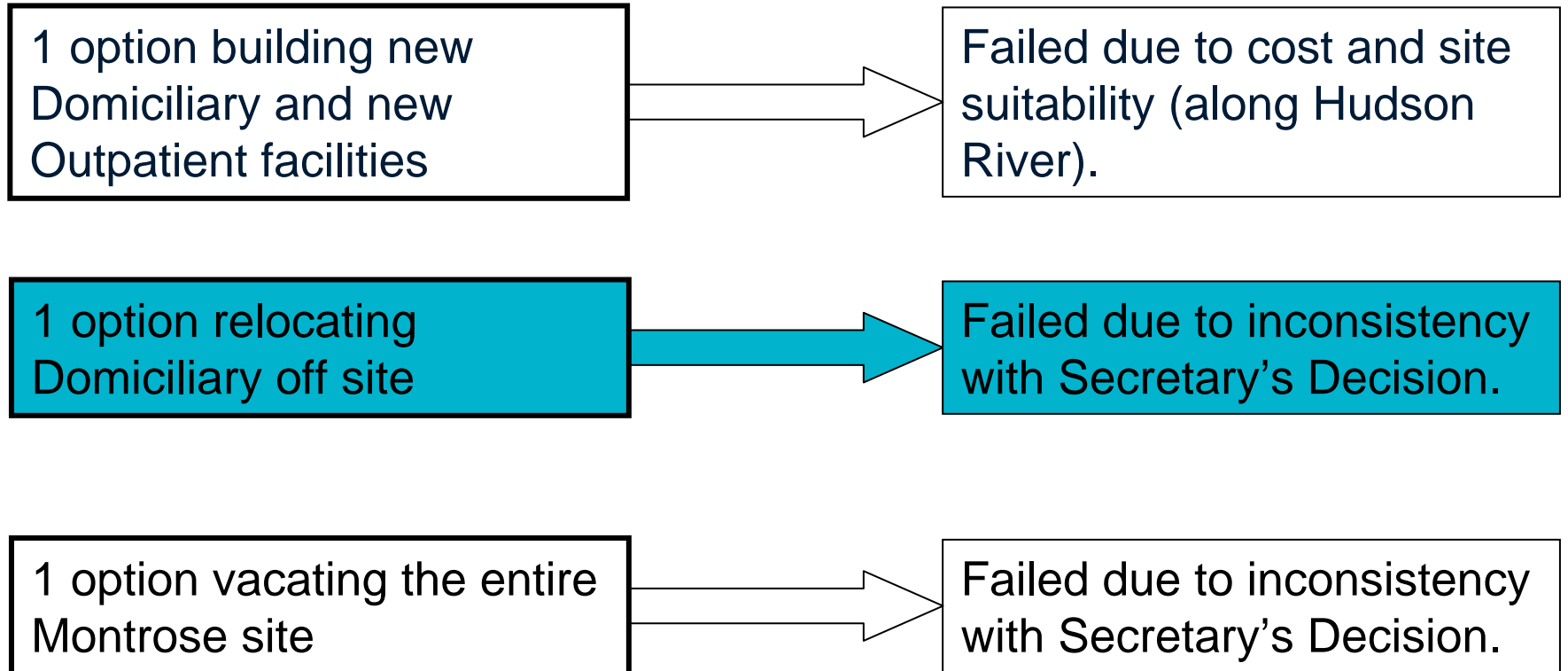


BPO 10: Assessment, At Castle Point, Replace Buildings 19, 20, and 21

Best features: location in a familiar area using a mix of new construction and renovation, taking advantage of current facility capabilities.

Healthcare Access	Comparable to Baseline.
Healthcare Quality	Better than Baseline – improved VA facilities at current code. Maintains site security.
Cost Effectiveness	Higher capital costs with more new construction. Some improvement to operating efficiency.
Ease of Implementation	Comparable to Baseline. Complex phasing. Risk to operations if project is not completed in a timely fashion due to mix of new and renovated VA facilities.
Wider VA Program Support	Comparable to Baseline.

Options Not Selected for Assessment at Montrose



There were no Options for Castle Point that failed the initial screening criteria.

Next Steps

- The LAP will review the Business Plan Options and recommend:
 - ◆ Which options should be further studied
 - ◆ Proposing additional options
 - ◆ Specific concerns to be addressed
- Responses and comments to the Business Plan Options will be collected for 10 days following the LAP meeting
- The next public meeting will review options selected by the Secretary for further study and discuss key issues.
- The fourth and final public meeting will present detailed analysis of the options and recommendations by Team PwC.

How Can You Provide Feedback?

Local Advisory Panel Meeting

- ◆ Provide testimony at the LAP meetings
- ◆ Fill out a comments form at the LAP meetings

CARES Project Website

<http://www.va.gov/CARES>

- ◆ An **electronic comments form** is available to share your views and opinions on the options presented
- ◆ Website provides public meeting information, agendas, meeting summaries, and links to background documents

CARES Central Mailstop

**Montrose/Castle Point Study
VA CARES Studies
PO Box 1427
Washington Grove, MD 20880-1427**