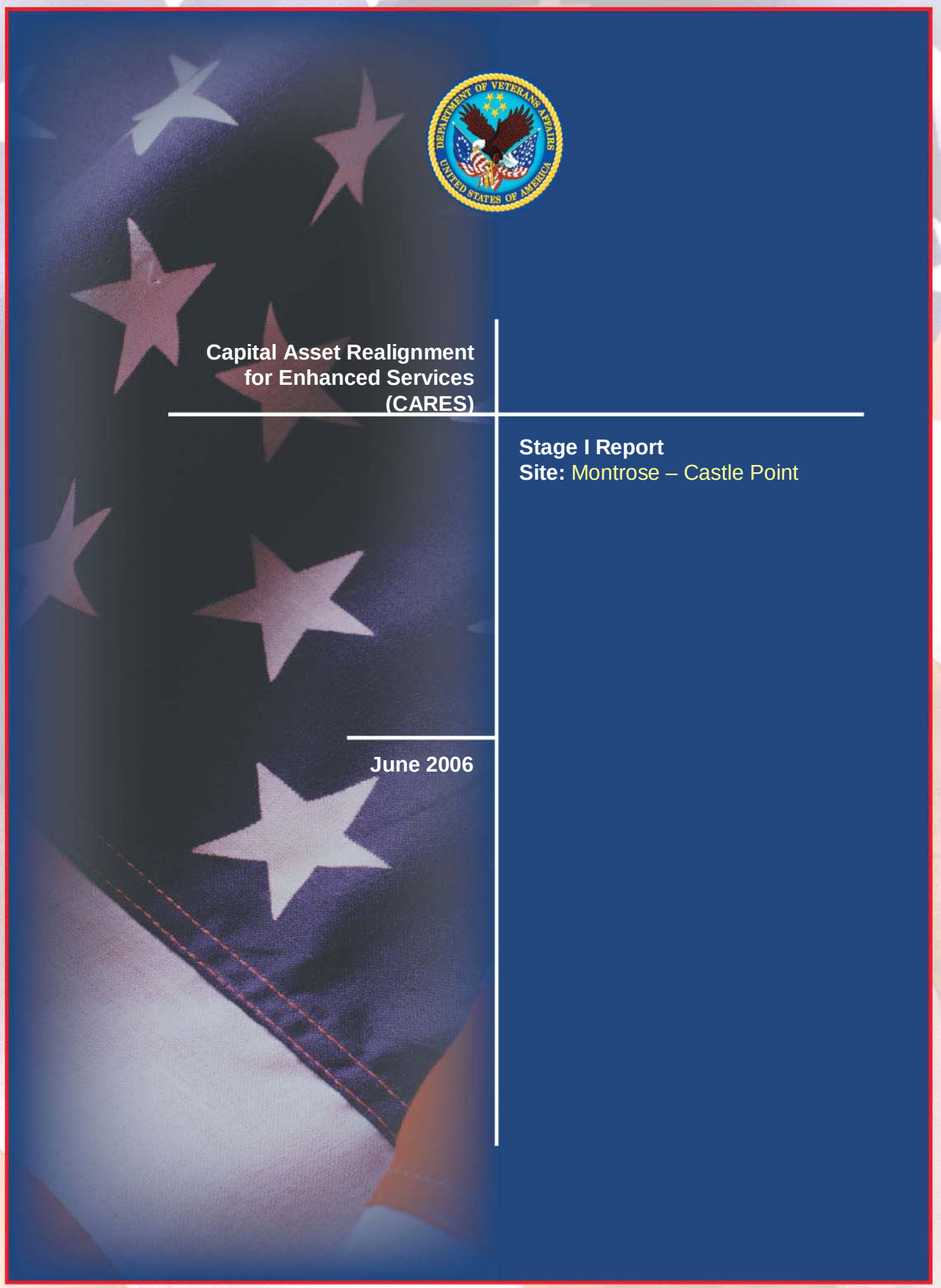


Capital Asset Realignment for Enhanced Services (CARES)

Stage I Report

Site: Montrose – Castle 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 Reuse/Redevelopment Plans, Phase 1 Report, Data Collection and Planning Analysis, Franklin Delano Roosevelt Campus of the VA Hudson Valley Healthcare System (Montrose, NY)*, 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 Jones Lang Lasalle.

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

Table of Contents

1.0 Introduction

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

The Montrose and Castle Point, New York VA healthcare facilities are the two campuses of the VA Hudson Valley Healthcare System (VAHVHS), which is one of the CARES study sites and include capital planning and re-use planning studies, but not healthcare delivery. The Secretary's Decision Document of May 2004 makes the following decisions for Montrose and 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 psychiatry, long-term psychiatry, and nursing home beds from the Montrose campus to the Castle Point campus.
- To accomplish this consolidation, VA will augment the mission at the Castle Point campus with new construction and reduce the footprint on the Montrose campus through an enhanced use lease for assisted living and other compatible uses or divestiture of property
- 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
- VA will continue to provide outpatient, domiciliary, and residential rehabilitation services at the Montrose campus
- 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 existing 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.

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 Montrose and Castle Point Veterans Affairs Medical Centers (VAMCs) are part of the Hudson Valley Health Care System. The Montrose campus is located in northern Westchester County, New York and is 25 highway miles south of Castle Point. Both VAMCs are a part of Veterans Integrated Service Network (VISN) 3, which comprises three markets: Long Island, Metro New York, and New Jersey. Montrose VAMC and Castle Point VAMC are in the Metro New York market.

Current Healthcare Provision

Montrose VAMC was built for a capacity of 1,984 hospital beds, and now operates 291 beds. Services provided at Montrose are primarily psychiatry, psychosocial residential, and nursing home services in addition to a full service outpatient clinic. The Castle Point VAMC was originally built for 600 tuberculosis beds and now operates 122 inpatient and nursing home beds as well as ambulatory services.

Facilities

Montrose: The Franklin Delano Roosevelt Campus is located along the banks of the Hudson River in northern Westchester County, NY. The buildings on the campus vary in age, but most of the buildings on the campus are 59 years old and sit on 193 acres. Fifty-four buildings and structures with approximately 978,000 gross square feet (GSF) are located on the campus. The

buildings are described in Table 1 and the distribution of buildings is depicted in Figure 1. The central part of the VAMC campus has consistent architecture (brick mid-twentieth century Georgian Revival) and a symmetrical layout on a relatively level site. The administration building is located in the center, and patient care buildings are connected by all-weather corridors. All of the buildings on the site are listed as historic by the VA, but are not listed on the National Register of Historic Places.

The main buildings for patient care are arranged around three symmetrical courtyards, with a central parking courtyard and landscaped east and west courtyards which have been used for recreation. In addition to the central courtyard, surface parking is available in small lots scattered on the site.

Castle Point: The buildings at Castle Point total 508,000 GSF and are arranged in linear groups connected by enclosed walkways on approximately 105 acres. The 45 buildings and structures are described in Table 2 and the distribution of buildings is depicted in Figure 2. The original buildings were built in the early 1920s. Construction of new support buildings has been ongoing since then. The original generator building was built in 1950, the boiler building was built in 1980, and a new wing was built in 1989. Most of the buildings are concrete, some with masonry load-bearing walls, and have brick or concrete exterior walls in average condition. Most of the roofs are asphalt or membrane in average condition, with some needing repairs. Surface parking occurs in parking lots interspersed among the buildings. The patient care and nursing home buildings are fully sprinklered, are handicap accessible, and have accessible patient rooms with private and shared accessible toilets. The steam distribution system is in poor condition. Many of the older buildings have water problems in basements and floors which are partially below grade. Water intake is from the Hudson River and from eight wells. A new 300,000 gallon supplemental water tower is needed.

There are no listed historical buildings or parcels located on the campus of the Castle Point VAMC, yet many of the buildings are over 50 years old and are therefore considered historically eligible. Neither the site nor the buildings are registered nor listed as historical by any local, state, or federal agency.

Figure 1: Existing Building Distribution - Montrose

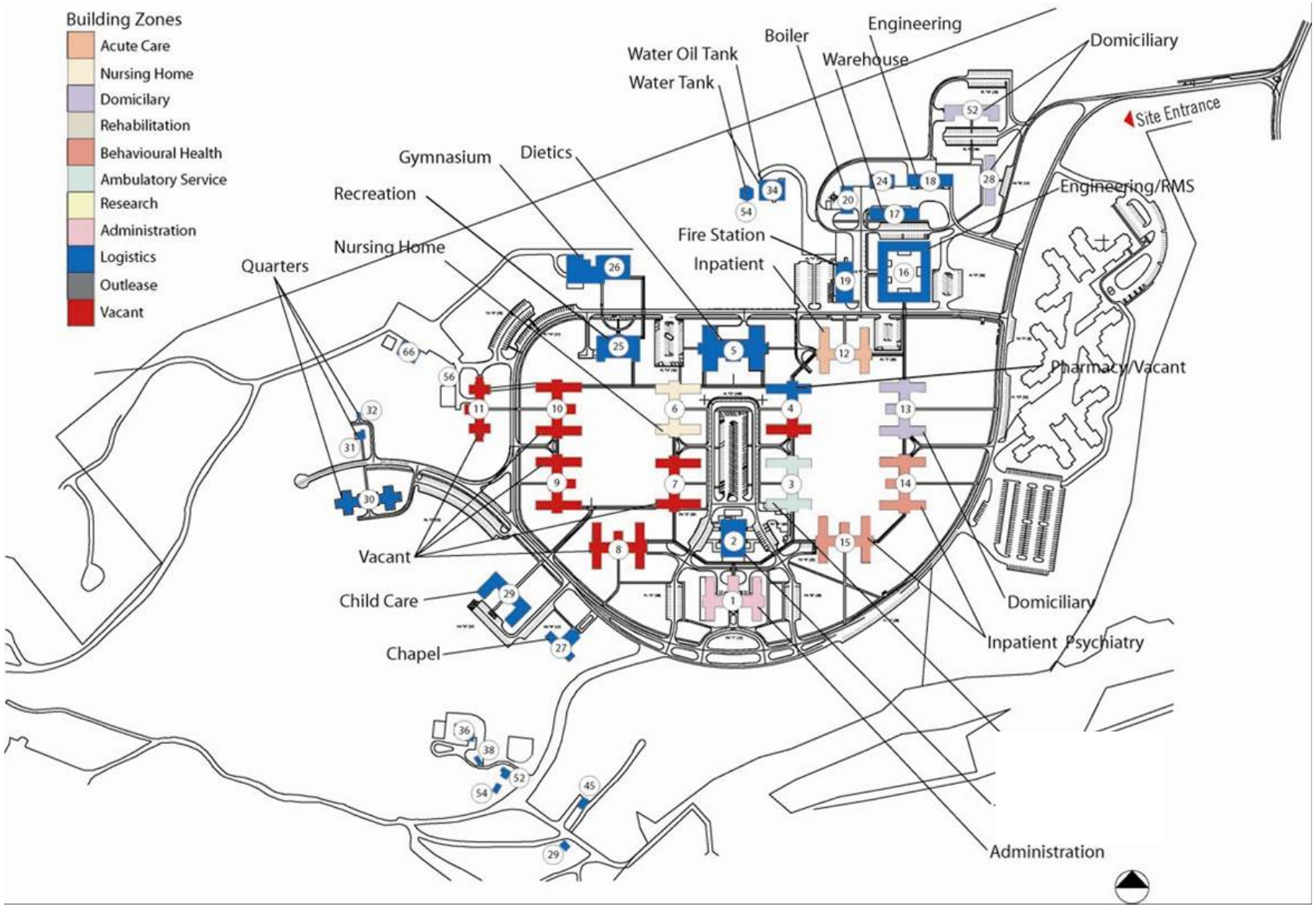


Table 1: Montrose Existing Departmental Distribution by Building[1]

Building Number	Building Name/Function	Year Built	Year Renovated	Total Floors	Building Total GSF
1	Administration	1947		4	57,446
2	Theater	1947		2	22,160
3	Outpatient Building	1947		3	43,569
4	Acute Building	1947		3	42,950
5	Kitchen & Dining Hall	1947	1982	2	51,455
6	Nursing Home Care Unit (NHCU)	1947		3	43,054
7	Administrative	1947		3	43,992
8	Vacant	1947		3	49,324
9	Vacant	1947		3	47,752
10	Vacant	1947		3	47,510
11	Vacant	1947		3	34,540
12	Administration Offices	1947		3	46,572
13	Residential Treatment	1947	1997	3	48,084
14	Psychiatry	1947		3	49,312
15	NHCU	1947		3	47,241
16	Engineering/Rehab	1947		1	32,221
17	Warehouse	1947		3	21,489
18	Vacant Leased	1947		2	17,605
19	Fire House / Grounds & Transportation	1947		1	9,065
20	Boiler Plant	1947	1993	1	7,133
21	Storage	1950		2	1,156
23	Storage	1950		1	1,200
24	Paint Shop	1950		1	3,780
25	Recreation & Canteen	1947		3	36,640
26	Pool/Gym	1950	1994	1	23,842
27	Chapel	1947		1	10,758
28	Residential Treatment	1947		3	19,360
29	Child Care & Non-housekeeping Quarters	1947		3	33,194
30	Quarters	1950		3	34,645
31	Housekeeping Quarters	1947		2	3,664
31A	Director's Garage	1950		1	846
33	Paint Storage	1950		1	739
34	Water Tower	1950			1,256
35	Flag Pole				
36	Wastewater Treatment	1950		1	2,867
37	Greenhouse	1950		1	1,750
38	Chlorination Chamber	1950		1	207
39	Greenhouse	1947		1	1,248
44	Engineering	1950		1	285
45	Concession & Shelter House	1936	1959	1	1,563
46	Boat House (Bath House)	1941	1959	1	2,709
48	Women's Rest Room	1959		1	177
49	Garage & Storage	1960		1	1,320
52	Domiciliary	1960		3	30,290

[1] Source: VA Capital Asset Inventory (CAI) Database

Building Number	Building Name/Function	Year Built	Year Renovated	Total Floors	Building Total GSF
53	Oxygen Storage Building	1962		1	220
54	Water Tower				
55	Bus Shelter	1962		1	120
56	Greenhouse	1950		1	260
57	Eng Trickling Filter	1950		1	5,026
58	Secondary Settling Tank	1950		1	500
59	Contact Chamber	1950		1	240
66	Engineering Storage	1995		1	3,360
CC	Connecting Corridors	1950		1	24,758

Figure 2: Existing Building Distribution - Castle Point

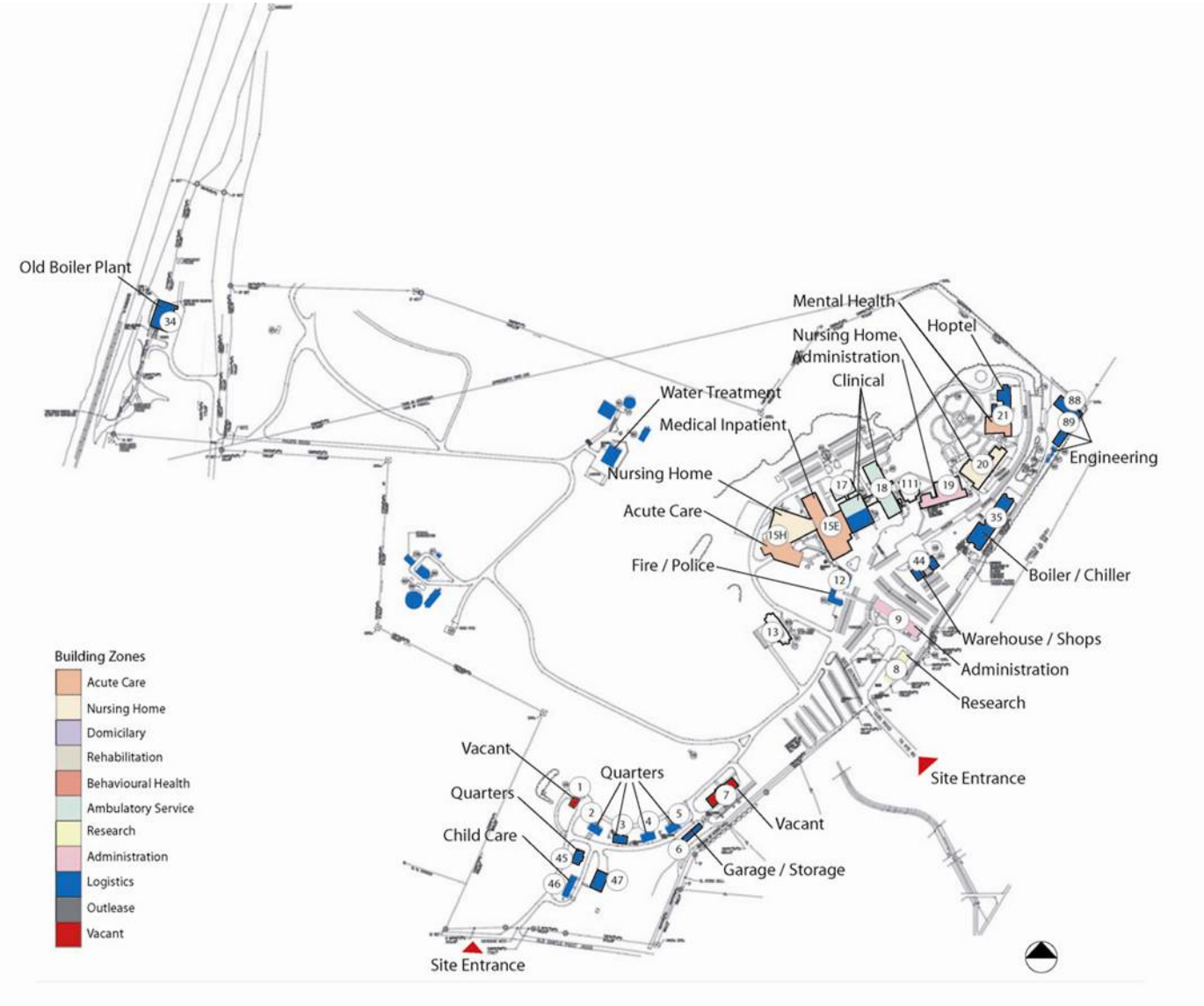


Table 2: Castle Point Existing Departmental Distribution by Building[2]

Building Number	Floor	Building Name/Function	Year Built	Year Renovated	Total Floors	Building Total GSF
1		Vacant Quarters	1923		3	5,062
2		Quarters	1923		4	5,024
3		Quarters	1923		4	5,024
4		Quarters	1923		4	5,024
5		Quarters	1923		3	5,358
6		Garage/Storage	1923		1	1,705
7		Vacant Admin.	1922		4	20,133
8		Research	1922		3	12,897
9		Administration	1922		4	27,123
12		Fire Station/Police Station	1922		1	4,366
13		Education Building	1923		2	11,993
15E		Patient Care	1923		4	58,979
	B	Pathology; ACS-Urgent Care; Chaplain; Nursing Svc. Admin; Patient Rep. Office; ACS-Primary Care				
	1	Audiology; Cardiology; EEG/Neurology; Rehab Medicine; Prosthetics; Respiratory Clinics				
	2	Medical/Neur/Rehab Beds; Intermediate Beds				
	3	ACS-Specialty Care; Eye Clinic				
15H		Hamilton Fish Wing	1989		4	44,678
	B	Rehab Medicine; Fiscal; Mail Room; Canteen; Medical Admin; Voluntary Service; U.S. Post Office				
	1	NHCU Beds; SCI Patient Unit				
	2	Environmental Mgmt. Storage				
	3	Canteen Service Storage				
16		Patient Care	1923		4	39,453
	B	Medical Administration; Chaplain; Nutrition/Food (freezers; storage); Dental; Radiology (Imaging - Catscan)				
	1	IRM; Dining Hall/Nutrition Offices; Director's Suite; Medical Administration				
	2	Nuclear Medicine; Radiology (Ultrasound Clinics)				
	3	Hosp-Based Home Care; ACS-Specialty Care; Digestive/Endoscopy; Social Work				
17		Patient Care	1923		4	16,580
	B	Environmental Management; Linen Service				
	1	ACS-Primary Care; Director's Suite; Nursing Service Admin.				
	2	Radiology (Imaging - X-ray units)				
	3	Surgical				

[2] Source: VA Capital Asset Inventory Database

Building Number	Floor	Building Name/Function	Year Built	Year Renovated	Total Floors	Building Total GSF
18		Patient Care	1923		4	51,256
	B	Pharmacy; A&MM Warehouse; Pulmonary/Resp. Care Storage; Voluntary Service Storage; SPD Service; Environmental Management; Staff Lockers				
	1	Environmental Management; ACS-Primary Care; Pharmacists Offices				
	2	Clinical Svc. Admin.; Environmental Mgmt.; ACS-Primary Care; Mental Health Clinic; IRM; Nursing Svc. Admin.; VBA Office; NY State Dept. of Vet Affairs				
	3	VSO/Vet Assistance; Nursing Svc. Admin.; ACS-Specialty Care; Environmental Mgmt. Storage; Psychiatry Administration; Substance Abuse Clinic; Pharmacy Support				
19		NHCU	1923		3	28,228
20		NHCU	1923		3	42,523
21		NHCU	1923		3	37,073
34		Storage/Old Boiler Plant	1923			10,421
35		Boiler Plant/Chiller Plant	1980			14,423
44		Warehouse/Carpenter Shop	1923		1	8,113
45		Quarters	1923		4	5,991
46		Child Care Center	1923		4	7,125
48		Garage for Director's Quarters	1923		1	288
57		Sewage Treatment Plant	1950	1993		2,480
59		Generator Building	1950			250
59A		Generator Bldg	1982			225
61		Recreation			1	947
65		Storage			1	187
67		Storage			1	265
69		Storage			1	1,967
71		Storage			1	179
73		Engineering Storage	1965		1	1,000
75		Sand Storage	1990			1,000
80		Generator Building	1982			200
82		Generator Building	1982			200
86		Engineering Storage	1965		1	300
87		Engineering Storage	1965		1	202
88		Labor Shop	1965		2	5,005
89		Linen Hut	1965		1	4,000
90		Engineering Storage	1965		1	252
91		Generator Building	1982			200
92		Generator Building	1982			200
93		Generator Building	1982			200
94		Generator Building	1982			200
95		Generator Building	1982			200
96		Generator Building	1982			200

Building Number	Floor	Building Name/Function	Year Built	Year Renovated	Total Floors	Building Total GSF
98		Water Treatment Plant				3,136
101		Sani-Pak	1991			10,000
111		Multipurpose	1996		1	6,284

Facilities Condition

Based on a review of available documents provided by the Montrose VAMC and from the other government contractor, a site history and environmental analysis for the Montrose VAMC site was compiled.

Much of the Montrose campus is landscaped and forms an attractive park-like setting. The campus incorporates mature trees, established shrub plantings, and well maintained turf areas. Moreover, the Montrose VAMC has unobstructed access to approximately 2,500 feet of Hudson River frontage. Approximately 11 acres along the riverfront are relatively level. The river area has a newly renovated sea wall with over-the-water handicap-accessible walkways, picnic areas, gazebos and ponds.

About 60 acres of the existing site are currently undeveloped. Much of this area is covered by woods with very steep slopes in places, generally sloping downward in a southwesterly direction. The land also includes two unnamed natural ponds, each about an acre in size. The westernmost pond drains west to the adjacent Westchester County parkland while the other pond, still west of center within the VAMC, drains south.

The campus was constructed by VA. All of the buildings were constructed for the current hospital use. Most of the buildings were built between 1947 and 1950. Most of the buildings are reinforced concrete structures and have well maintained brick exterior walls and slate roofs. Four buildings with flat built-up roofs will need roof replacement within several years (Buildings 19, 20, 27, and 52). None of the buildings located on the facility have histories other than those associated with the VAMC. All of the buildings have received ratings between 1 and 5, which is the total range available on a scale of "5" for critical values such as accessibility, code, functional space, and facility conditions.[3] Twenty-five of the buildings received average functionality ratings above "3", five of the buildings received average ratings below "3", while the remainder of the buildings have not been rated by VA. Generally, the buildings score well on "life safety", average on "layout" and "adjacency", but some building scores for "accessibility" are very poor.

Thirteen of the buildings are sprinklered. Contracts are currently underway to install sprinklers in two of the 12 un-sprinklered buildings. The buildings are primarily handicapped accessible through the connecting corridor system. Only five buildings (Buildings 11, 16, 18, 20, and 27) are accessible through their own entries. Four buildings (Buildings 17, 19, 28, and 52) are not handicap accessible. The steam distribution system is in poor condition. Water connections are

[3] Source: VA Capital Asset Index

made to the municipal system at multiple points, and water storage tanks needed for capacity/pressurization need replacement.

Upgrades to comply with current VA standards and applicable building codes will be necessary even on the buildings that rate relatively high since issues such as single bed rooms, private bathrooms accessible from within a patient room, and other quality of healthcare environment issues are not addressed in the rating for "life safety". In addition, most mechanical systems are at the end of their useful life and will require replacement or major overhaul.

Environment[4]

Several environmental considerations were identified for the Montrose VAMC campus. The Hudson River, which is adjacent to the Montrose VAMC property, is considered a CEA (Critical Environmental Area). Designation as a CEA potentially requires the preparation of an Environmental Impact Statement (EIS) if the project will require governmental approvals and/or funding and if it meets certain classifications (i.e., Type I Actions or Unlisted Actions). These requirements are administered under the State Environmental Quality Review (SEQR) Act. Therefore, dependant upon the redevelopment plan, additional action regarding the CEA may be required.

According to the Montrose VAMC site engineer, three 30,000 gallon underground storage tanks (USTs) were removed from the property. The former USTs contained # 2 Fuel Oil and serviced the boiler plant. During the removal, soil contamination was noted. No documentation regarding the removal or subsequent soil remediation was available at the time of the site visit. However, the VAMC engineer indicated that soil remediation was completed with New York State Department of Environmental Conservation oversight. No information was provided by the VAMC that indicated if groundwater was impacted as a result of the release or if the case was closed.

According to information provided by the VAMC, there are 15 storage tanks containing hazardous materials located on the property. Tank testing has not been completed and is not required until the tanks have been in use for ten years. A visual inspection of the site identified one above-ground storage tank (AST) which was not mentioned in the tank inventory provided by the VAMC. A more detailed site reconnaissance is necessary to determine if any other tanks are omitted from the list.

An asbestos survey of the VAMC site was completed in 2003 with the exception of Buildings 8, 9, 10, and 11 since they are not currently used. However, asbestos containing materials have previously been identified in those locations. Buildings 4 and 6 have been mostly abated according to VA, but asbestos containing materials appear to be present in all facility structures with the exception of Building 15.

[4] Source: 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, Montrose, New York*

A lead-based paint survey was completed on the daycare facility located on site. Lead-based paint was detected in multiple locations in the day care facility. No risk assessment appears to have been completed in the day-care facility. Lead-based paint inspections have not been completed in any other facility structures.

The Montrose VAMC Engineering Division provided a plan illustrating the high voltage system; however, no information regarding the use of cooling oil containing Polychlorinated Biphenyls (PCBs) was available. Further investigation of equipment maintenance records should be completed. Inspection of transformers and switches on the site may be necessary to determine if PCB cooling oil is in use in electrical equipment.

The hospital operated an incinerator until the 1990s. No information regarding the operation or location of the former incinerator was available. The Environmental Data Resources report for the property did identify the site as a solid waste landfill facility; however, no detailed information was provided. Interviews with Montrose VAMC engineering staff and review of site records did not indicate the past operation of an on-site landfill.

The facility operates a sewage treatment plant on the property. The plant is located on the southwestern portion of the VA property. The plant has been present since the construction of the hospital facility. Upgrades of the treatment plant have been completed as regulations have become more stringent. The Montrose campus possesses a State Pollutant Discharge Elimination System (SPDES) permit issued by the New York State Department of Environmental Conservation (NYSDEC) for the discharge of treated waste water to the Hudson River.

Six spill incidents involving the Montrose VA are listed in the report issued by Environmental Data Resources (EDR); however, no details are provided other than the site name. Properties immediately adjacent to the Montrose VAMC were not identified as known contaminated sites in the EDR report. Known contaminated sites located within one-quarter of a mile to one-half mile from the VAMC facility appear to be residential properties with releases from heating oil UST. One site with a release from a gasoline UST was mapped within one-half mile of the property. The Indian Point Nuclear Generating Facility is located three miles to the north of the VAMC.

Westchester County is listed as a Low Radon Potential Zone. Despite the low potential, existing or proposed buildings with planned basements should be tested for radon.

Outleased Areas/Use Agreements[5]

Montrose – VA has discussed with the State of New York the possible conveyance of an easement along the Hudson River for use as a public walkway. Nearby trails are part of the growing Hudson River Valley Greenway system, which envisions a network of hiking trails up and down the Hudson River from New York City to Saratoga County.

Other real estate agreements are as follows:

[5] Ibid.

- The Montrose VAMC has entered into an agreement with the Community Aid for Retarded Children, Inc. for Building 18. The agreement lasts until February 2006, and there are no provisions for extending the agreement.
- The Montrose VAMC is leasing Building 29 to the Montrose Child Care Center to provide day care services. The agreement ends on January 31, 2008 without any options for extensions.
- The Montrose VAMC has an agreement with the State Police for Building 7. This agreement was not available for review for this report.
- Castle Point – Building 8, Child Care on the first floor.

Current and Forecast Investment Requirements

According to VA's Capital Asset Inventory (CAI) database, there are approximately $38 million in renovation and periodic and recurring maintenance costs planned at the Montrose VAMC, and there are approximately $10.4 million in renovation and periodic and recurring maintenance costs planned at the Castle Point VAMC. Those planned infrastructure expenditures are detailed below:

Montrose

- The boiler plant, located on the north end of the site, is reaching the end of its useful life, and will need to be replaced within three years at an estimated cost of approximately $4,300,000
- The roof on the pool/gym needs to be replaced at a cost of $1,650,000
- The roads, catch basins, and culverts need repair at a cost of $3,300,000
- Other upgrades needed include a steam study and waste water treatment plant upgrade, at a total cost of $28,700,000

Castle Point

- Repairs need to be made to the steam distribution system at a cost of $3,000,000
- Replacement of the water main and addition of a supplemental water tower need to be made at a cost of $3,350,000
- Additional costs as listed in the CAI are $4,000,000

The discussion of the baseline BPO includes these proposed projects to correct known deficiencies, since baseline capital investments include the necessary investments to assure a modernized, safe, and secure environment without any new construction.

Summary of Current Surplus / Vacant Space

The Montrose VAMC campus is comprised of approximately 193 acres of land area. Currently, approximately 60 acres of that land are vacant. The CAI database indicates that there is currently approximately 309,000 square feet of vacant building space on the campus.

At this campus, space requirements for the planning horizon of 2023 are for the new domiciliary and outpatient clinic, as all other service lines are to be relocated to the Castle Point VAMC according to the Secretary's Decision. These factors result in a total building surplus of approximately 752,000 gross square feet at Montrose VAMC.

The Castle Point VAMC campus is comprised of approximately 105 acres of land area. The CAI database indicates that there is currently approximately 55,000 square feet of vacant building space on the campus.

At the Castle Point campus, space requirements for the planning horizon of 2023 take into account the new workload from Montrose VAMC. Subsequently, the Castle Point VAMC requires approximately 58,000 gross square feet of additional total building space to accommodate the projected workload.

Re-Use[6]

This section describes the real estate market and re-use potential of the Montrose campus. No re-use studies were conducted for the Castle Point campus.

Real Property

The Montrose campus is located in the Town of Cortlandt in Westchester County, New York, a thriving and growing area north of New York City. The area surrounding the campus is sparsely settled, primarily consisting of middle class single-family residential neighborhoods and some commercial development located mainly in village centers. Over 94% of the land in Cortlandt is zoned as residential.

The Village of Buchanan is located immediately north of the Montrose VAMC, the City of Peekskill farther north, and the Village of Croton-on-Hudson to the south.

Abutting the VAMC to the west/northwest is George's Island County Park. Above the park and also bordering the Montrose VAMC campus is a residential neighborhood off of Dutch Street. The neighborhood consists of upscale single family homes. Route 9A (Albany Post Road) forms the northeastern border of the campus. Limited commercial development is located along this road to the north and the south of the campus. The recently constructed New York State Veterans Home with 252 beds abuts the main entrance drive to the east. Small residential neighborhoods form the southeast border of the Montrose VAMC on the southern side of the Metro North Railroad. One of these neighborhoods, a small riverfront residential neighborhood called Battery Place, is only accessible through the Montrose VAMC campus. The Hudson River forms the southern border of the Montrose VAMC.

The re-use contractor has examined a number of potential uses for this site, including hospitality, office space, commercial retail, residential, institutional, and warehouse/industrial use. Some parts of the site will generate more interest than others, and the re-use contractor identified those

[6] Ibid.

parcels that have high re-use potential. The contractor did note that several multi-unit senior residential housing projects have recently been constructed in either Westchester County or the Town of Cortlandt. In addition, it was noted that a small portion of the site closest to Route 9 may be suitable for retail or retail/office space. The re-use contractor plans to perform a market assessment and make preliminary recommendations for non-VA re-use opportunities in Stage II.

The southern portion of the site fronts the Hudson River, and the State of New York has expressed interest in obtaining a recreational easement along this portion of the site for a public trail. The Hudson River is considered a CEA which potentially requires the preparation of an Environmental Impact Statement (EIS) if the project will require governmental approvals and/or funding and if it meets certain classifications (i.e., Type I Actions or Unlisted Actions).

Regulatory Environment

The Montrose VAMC is zoned R-40 by the local planning authorities. Uses permitted by right in an R-40 district include one family dwellings on 40,000 square foot lots, churches, public schools, libraries, and government buildings. With special permits, additional uses include public utilities, colleges, golf courses, camps, laboratories, marinas, hospitals, and nursing homes.

Key Observations from Other Government Contractor

The Montrose VAMC is surrounded by residential neighborhoods and park land. Although there is apparent interest in re-use of some of the existing buildings, the parcels that are relatively level and those that are vacant or adjacent to the Hudson River have been projected to have the highest re-use potential. The site is reasonably well located for a variety of uses.

Potential for Non-VA Re-Use/Redevelopment

Figure 3 illustrates the parcels of land on the current Montrose VAMC 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 portions of the campus with relatively unique characteristics based on location, topography and, importantly, re-use/redevelopment potential. For Montrose, seven parcels are identified on the site plan (Figure 3) below.

Figure 3: Parcel Map - Montrose

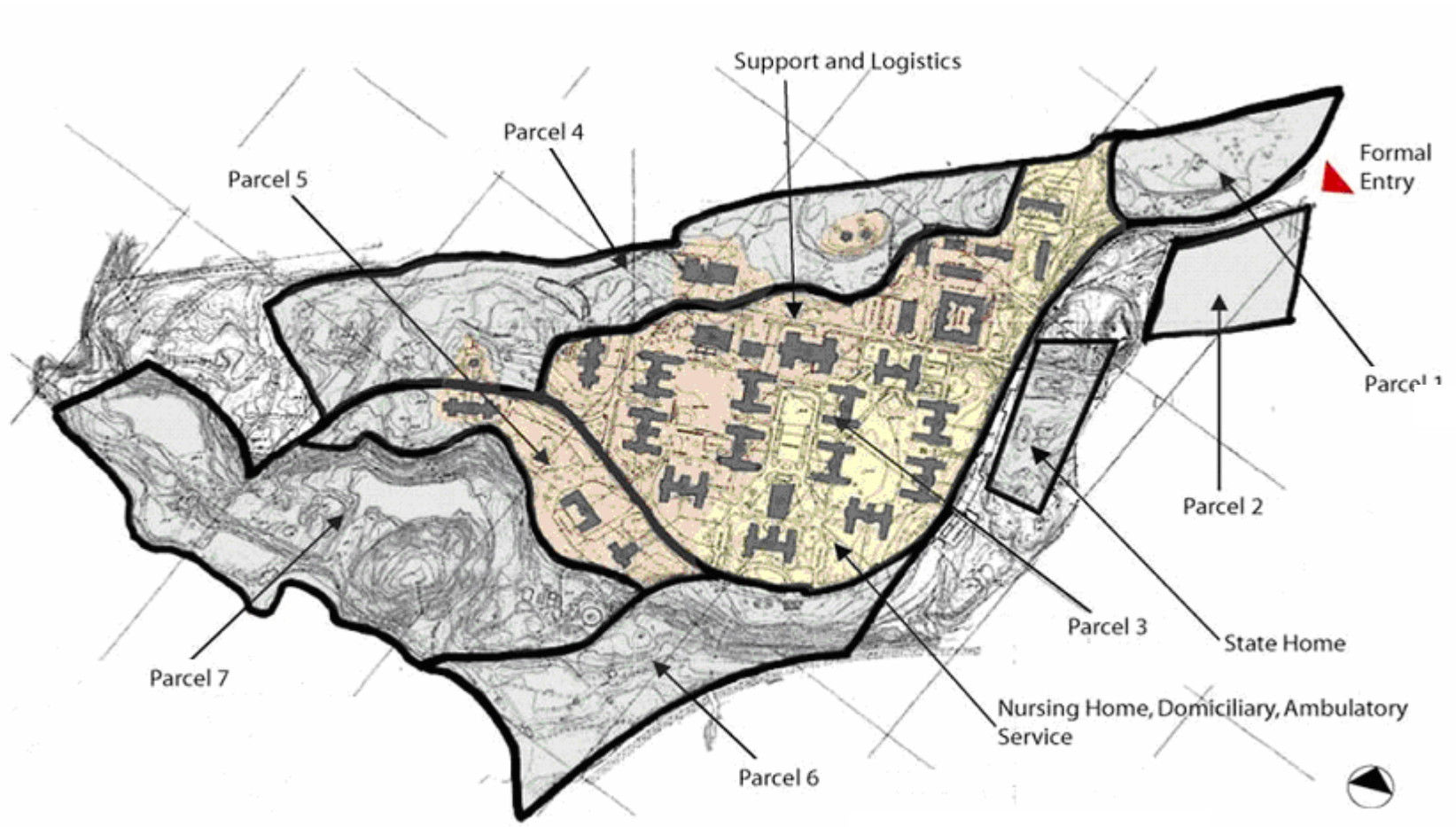


Table 3 identifies the parcels for potential re-use. The parcels have been identified based on both the existing vacant land of the Montrose VAMC campus and the changed footprint of the campus structures based on implementation of the capital options prepared by Team PwC.

Table 3: Re-use Options, Montrose

Parcel	Description	Acreage	Re-use Potential
Parcels 1 & 2	Adjacent to the main entrance to the campus	15	High re-use potential; range of options includes Flex/R&D, institutional office, residential, and limited retail. Proximity to Route 9A makes these parcels the most likely to be viable for retail.
Parcel 3	Existing patient care and support building complex	65	Medium re-use potential for buildings, no vacant land; range of options includes Flex/R&D, institutional, office, and residential.
Parcel 4	Relatively level, largely undeveloped land along northern boundary of campus with some wetlands	35	Two buildings with limited re-use potential. Land has low re-use potential because of topography; range of options includes Flex/R&D, institutional, office, and residential.
Parcel 5	Land to the west of the main campus located at the top of a steep ridge	16	Includes three improvements (chapel, two houses). Higher-use potential for houses and high potential for vacant land; range of options includes Flex/R&D, institutional, office, and residential.
Parcel 6	Land located at the southern portion of the campus, includes undevelopable land located on a steep slope and some land developed as a recreational area; also includes the waste water treatment plant.	22	Except for steep slopes, high re-use potential; range of options includes Flex/R&D, institutional, office, and residential.
Parcel 7	Primarily undeveloped land to the west of the campus along the Hudson River, including two ponds.	40	Re-use/redevelopment of approximately 40 acres, re-use of land affected by topography and potential easement for recreational use; range of options includes Flex/R&D, institutional, office, and residential.

Analysis of re-use potential for the Montrose VAMC shows that it is reasonably well located for a variety of uses. Proposals have been made to locate senior housing on a 20-acre site in the northwestern part of the campus. However, it is uncertain whether the existing buildings would attract a significant developer or institutional interest. Although the VA has designated many of the buildings as historic, and they are eligible for inclusion on the National Register of Historic Places, they do not appear on any State or National Register. Their age and dependence on a deteriorating central steam plant makes re-use more complicated. Lastly, the National Cemetery Administration has expressed interest in obtaining 20 acres of land for use as a columbarium. The only requirement placed on this land is that it be relatively flat and dry. To this point no specific 20-acre parcel has been set aside; with, in each BPO, well over 100 acres being potentially available for re-use, there is no immediate need in Stage I to commit to a specific location for this columbarium.

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 both Montrose and Castle Point VAMCs. The following section describes these long-term trends for veteran enrollment and utilization for healthcare services at the both VAMCs.

Enrollment Trends

The Montrose/Castle Point (Metro New York) market contains approximately 169,000 enrolled veterans. 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 21%, from 100,062 to 78,963, while the number of enrolled veterans in Priority Groups 7-8 is expected to decline by 70%, from 69,314 to 20,583. The enrollment forecast for Priority 7-8 veterans assumes an annual enrollment fee and the continued freeze on new Priority 8 enrollment.

Table 4: Projected Veteran Enrollment for the Metro New York Market by Priority Group

Fiscal Year	Enrolled 2003	Projected 2013	% Change (2003 to 2013)	Projected 2023	% Change (2003 to 2023)
Priority 1-6	100,062	98,428	-2%	78,963	-21%
Priority 7-8	69,314	29,982	-57%	20,583	-70%
Total	**169,376**	**128,410**	**-24%**	**99,546**	**-41%**

Utilization Trends

Utilization was analyzed for those CARES Implementation Categories (CICs) for which the Montrose/Castle Point facilities have projected demand. A summary of utilization data is provided for each CIC in the following tables. Inpatient utilization is measured in number of beds, while both ambulatory and outpatient mental health utilization is measured in number of clinic stops. A clinic stop is a visit to a clinic or service rendered to a patient. As demonstrated in Table 5, inpatient bed need is projected to decrease by 18% by 2023, while outpatient clinic stops (including radiology and pathology) are expected to decline by 7% over the same time period.

Table 5: Inpatient and Outpatient Utilization Summary

CIC	2003 Actual	2013 Projected	2023 Projected	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Total Inpatient Beds	333	298	272	-11%	-8%	-18%
Total Clinic Stops	314,312	339,672	290,404	8%	-14%	-8%

Demand for inpatient services (acute and long term) varies by CIC (see Table 6). By 2023, the projected number of beds will decrease across all inpatient CICs, except for psychiatry and

substance abuse, which the Secretary has determined will be transferred from Montrose to Castle Point.

The increase in demand for psychiatry services is consistent with the VA Mental Health Strategic Plan. Currently, there are 94 nursing home beds at the Montrose campus, and 70 beds at Castle Point. This total of 164 beds remains constant in each of the years evaluated, although the units will be combined when the Secretary's Decision is implemented. In accordance with the Secretary's Decision, inpatient spinal cord injury services will be completely removed from Castle Point in 2013.

Table 6: Projected Utilization for Inpatient CICs for Montrose/Castle Point

CIC	2003 Actual	2013 Projected	2023 Projected	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Medicine & Observation	17	15	13	-12%	-13%	-24%
Psychiatry & Substance Abuse	12	19	17	58%	-11%	42%
Other: VA Mental Health Inpatient Programs	50	26	18	-48%	-31%	-64%
Nursing Home	164	164	164	0%	0%	0%
Inpatient Residential & Domiciliary	74	74	60	0%	-23%	-23%
Spinal Cord Injury[7]	16	0	0	-100%	N/A	-100%
Total Number of Beds	**333**	**298**	**272**	**-11%**	**-9%**	**-18%**

Overall, utilization for ambulatory CICs decreases over the 20-year period with a net decrease for all services of approximately 20%. Exceptions include cardiology and urology where net utilization increases of over 70% are projected by the year 2023. For the ambulatory CICs presented in Table 7 below, it is important to note that no change in the location of ambulatory care is envisioned in the Secretary's Decision Document.

Table 7: Projected Utilization for Outpatient CICs for Montrose/Castle Point

CIC	2003 Actual	2013 Projected	2023 Projected	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Cardiology	7,961	17,141	14,263	115%	-17%	79%
Eye Clinic	10,510	8,441	7,433	-20%	-12%	-29%
Non-Surgical Specialties	13,969	14,397	12,456	3%	-13%	-11%
Orthopedics	8,954	6,196	5,251	-31%	-15%	-41%
Primary Care & Related Specialties	60,122	50,370	40,794	-16%	-19%	-32%
Rehab Medicine	18,528	18,528	18,528	0%	0%	0%
Surgical & Related Specialties	13,862	8,757	7,453	-37%	-15%	-46%
Urology	2,879	5,537	4,975	92%	-10%	73%
Total	**136,785**	**129,367**	**111,154**	**-5%**	**-14%**	**-19%**

[7] Inpatient Spinal Cord Injury will relocate from Castle Point to the Bronx VAMC in 2013. Outpatient Spinal Cord Injury will remain at the Castle Point facility.

Although there are wide variations in projected utilization for the various outpatient mental health CICs, overall, the utilization for all services is expected to remain relatively flat over the 20-year time period. The day treatment, work therapy, and homeless programs all show significant increases in projected utilization, while behavioral health, community mental health residential care, and mental health intensive case management all show double digit decreases in projected utilization over the next 20 years. For the outpatient mental health CICs presented in Table 8 below, it is important to note that no change in the location of outpatient mental health care is envisioned in the Secretary's Decision Document.

Table 8: Projected Utilization for Outpatient Mental Health CICs for Montrose/Castle Point

CIC	2003 Actual	2013 Projected	2023 Projected	% Change (2003 to 2013)	% Change (2013 to 2023)	% Change (2003 to 2023)
Behavioral Health	59,918	57,012	53,049	-5%	-7%	-11%
Community MH Residential Care	4,499	3,131	1,893	-30%	-40%	-58%
Day Treatment	3,127	10,529	6,288	237%	-40%	101%
Homeless	1,090	2,076	1,655	90%	-20%	52%
Mental Health Intensive Case Management (MHCIM)	5,407	4,848	3,563	-10%	-26%	-34%
Work Therapy	18,893	32,794	24,538	74%	-25%	30%
Total Number of Stops	**92,934**	**110,390**	**90,987**	**19%**	**-18%**	**-2%**

In summary, the analysis of the projected enrollment and utilization data highlights several opportunities and challenges for the Montrose and Castle Point facilities. There are unmet market needs in outpatient areas such as cardiology, urology, and outpatient mental health programs, at least through 2013. However, Montrose/Castle Point faces challenges resulting from the significant drops in its eye clinic, orthopedics, primary care, and surgical and related specialties. By 2023, however, overall stops will decline by 2% in mental health and 5% in ambulatory. In effect, this means that the facility requirements, comparing 2003 and 2023, change modestly. In determining the overall building capacity needed to accommodate the 2023 volume, nearly the same capacity as exists today will be needed, although in a more modern, safe and secure environment.

The Castle Point campus will need to be right-sized and reconfigured to meet the revised inpatient requirements; the Montrose campus will need to be resized to reflect the elimination of inpatient care (not including domiciliary care) on the Montrose campus. Additionally, the significant costs involved in maintaining and renovating current facilities present an added impetus to consolidate facilities and make future capital investments in the most cost effective manner.

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 Secretary's Decision requires that inpatient psychiatry and nursing home beds be transferred from the Montrose campus to the Castle Point campus, which results in 752,000 vacant square

feet at Montrose and a 58,000 building gross square feet (BGSF) deficit at Castle Point. With the exception of a clinical addition constructed in 1989, all of the buildings at Castle Point have exceeded their useful life for providing clinical services. BPOs will consider current clinical inventory and the impacts of changes in demand on the space requirements for these services.

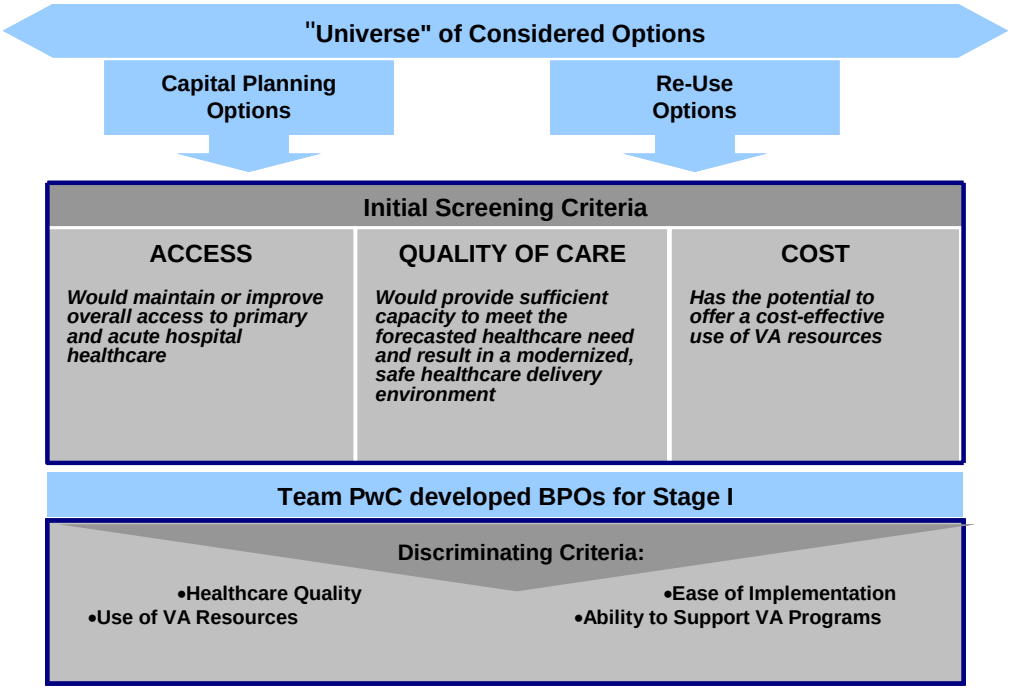
5.0 Business Plan Option Development Approach

Options Development Process

Using VA furnished information, site tours and interviews, as well as stakeholder and LAP member input, Team PwC developed a broad range of discrete and credible 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.

Figure 4 illustrates the complete options development process:

Figure 4: Options Development Process



Initial Screening Criteria

Discrete capital planning options were developed for Montrose and Castle Point VAMCs 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 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.
  - 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

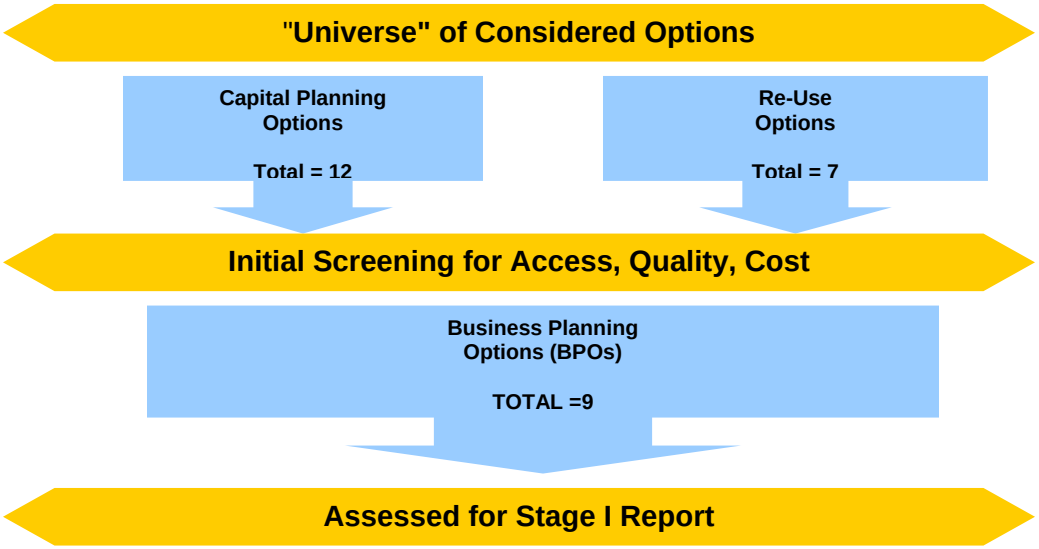
The individual capital planning and re-use options that passed the initial screening were further considered as options to comprise a BPO. A BPO is defined as consisting of a single capital option and its associated re-use option(s).[8] Therefore, the formula for a BPO is:

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

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

[8] 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

Three additional options created during the option development process did not pass the initial screening criteria. Table 9 lists those options that either did not pass the initial screening criteria or were deemed inferior to other options that did pass the initial screening. The table details the results of the initial screening and the reasons why these options were not selected.

Table 9: Capital Options Not Selected for Assessment

Label	Description	Reason(s) Not Selected
At Montrose, Construct New Domiciliary by River (Southwest Campus), Construct New Ambulatory Care Facility South of Fire Station (Site of Buildings 13 and 14)	Build new domiciliary by the river and a new outpatient facility in the area of present domiciliary (Building 52).	Site is not a suitable location for a domiciliary facility, and would have an adverse effect on potential re-use proceeds.
At Montrose, Relocate Domiciliary Off Campus	Relocate domiciliary off-site.	Cost: VA owns considerable land and acquiring another site would not be an effective use of VA resources.
At Montrose, Relocate All Services	Vacate entire Montrose campus.	Cost: VA owns considerable land and acquiring another site would not be an effective use of VA resources.

Baseline BPO

Based upon Team PwC's methodology, the baseline BPO advances in the Stage I process. The baseline for these study sites is the BPO under which the Secretary's Decision to transfer inpatient psychiatry and nursing home care from Montrose to Castle Point is implemented, and spinal cord injury care is transferred from Castle Point to the Bronx, but there are no other

significant changes in either the location or type of services provided at the Montrose 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 Montrose and Castle Point VAMCs.

Specifically, the baseline BPO is characterized by the following:

- Healthcare is provided as described for the baseline, except to the extent healthcare volumes for particular procedures fall below key quality or cost effectiveness thresholds.
- Capital planning investments rectify any material deficiencies 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 BPO 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 10: 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 expenditures 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 "[t]he gathering and consideration of stakeholder input in this scope of work is of great importance." According to the Statement of Work, the purpose of the Local Advisory Panel (LAP) appointed under the FACA is to

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

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

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

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

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

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

Table 11: 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.

Stakeholder Input to Business Plan Option Development

Approximately 100 members of the public attended the first LAP meeting held on May 11, 2005 as well as the second LAP meeting held on September 22, 2005. A total of 97 forms of stakeholder input (general comments on the study as well as specific BPOs) were received between April 20 and October 2, 2005. The concerns of stakeholders who submitted general comments not related to specific BPOs are summarized in Table 12:

Table 12: Analysis of General Stakeholder Concerns (Periods One and Two)

Key Concern	Number of Comments		
	Oral	Written and Electronic	**Total**
Effect on Access	6	5	**11**
Maintain Current Service/ Facility	9	3	**12**
Support for Veterans	16	16	**32**
Effect on Healthcare Services and Providers	7	7	**14**
Effect on Local Economy	1	5	**6**
Use of Facility	5	9	**14**
Effect on Research and Education	0	0	**0**
Administration's Budget or Policies	4	0	**4**
Unrelated to the Study Objectives	11	1	**12**

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 nine alternate BPOs (comprising capital and re-use components) which passed initial screening and were developed for Stage I (see Figure 5).

A unique attribute of the CARES study for Montrose/Castle Point is the need to illustrate changes at each VAMC. The BPOs reflect this two-VAMC setting. To afford maximum flexibility in choice without creating an unmanageable set of BPOs, the BPOs are designed to be complementary across each VAMC. This means that in selecting a BPO for evaluation or further study, one must choose a BPO from the Montrose VAMC (BPOs 2 through 6) and one from the Castle Point VAMC (BPOs 7 through 10). Any combination of VAMC-specific BPOs can be made: for example BPO 2 (Montrose) can be paired with any of the Castle Point VAMC BPOs (7 through 10). Thus, in effect, the BPO process actually gives VA and stakeholders a wide array of potential combinations from which to choose.

Each BPO was assessed at a more detailed level according to the discriminating criteria. Each BPO examines transferring acute psychiatry, long-term psychiatry, and nursing home services from Montrose VAMC to Castle Point VAMC while outpatient, domiciliary, and residential rehabilitation services continue to be provided at Montrose VAMC (see Table 13).

One additional BPO (BPO 11) was proposed by the LAP at the second LAP Public Meeting. This BPO focuses on transferring all domiciliary services from Montrose VAMC to Castle Point VAMC in addition to those services required to be transferred by the Secretary's Decision (psychiatry and nursing home services), and leaving only outpatient services at the Montrose campus. Please note that as a new BPO created by the LAP, this BPO applies to both the Montrose and Castle Point VAMCs, and is not to be paired with BPOs 2 through 10.

Site plans and schedules have been included for the BPOs developed by Team PwC (see Figures 6 through 16). The site plans are for reference only. They illustrate the magnitude of land and buildings required to meet projected utilization and are not designs. Schedules are preliminary and tentative at this stage.

Table13: Business Plan Options

BPO 1: Baseline
In the baseline, very limited new construction is planned over the forecast period. Capital investments will be made to renovate and maintain existing buildings in order to meet modern, safe, and secure standards. Ten buildings are vacated at Castle Point (Buildings 1, 2, 3, 4, 5, 6, 34, 45, 46, and 48), and the remaining buildings are renovated or expanded to handle inpatient workload transferred from Montrose. Montrose: Outpatient and domiciliary services remain at Montrose. Acute psychiatry, long-term psychiatry, and nursing home beds move from Montrose (reducing footprint through renovation and consolidation) to Castle Point. Domiciliary care is consolidated into Buildings 52 and 28 in phased renovations. Under the baseline, no buildings are demolished, while most buildings on the campus would be vacant. Parcels 1, 2, 3 (75%), 4 (75%), 5, 6, and 7 are available for re-use. Potential re-uses include senior residential, institutional or office and local retail. Parking is adequate for projected future workload. Castle Point: Renovate existing buildings containing inpatient, outpatient, and nursing home services in phased renovations. Spinal Cord Injury relocates from Castle Point to the Bronx VAMC in 2013. Construct new space to accommodate workload relocated from Montrose. Keep existing support buildings including the fire station (Building 19), the sewage treatment plant, and the boiler (Building 35). Vacate ten buildings (Quarters Building, Buildings 1, 2, 3, 4, 5, 6, 45, the leased childcare (Building 46), and the old boiler plant (Building 34)). No re-use studies were conducted for this campus. Parking will need to be expanded to accommodate a greater number of visitors and employees.

BPO 2: At Montrose, Construct New Domiciliary and Ambulatory Care Facility West of Fire Station (North Campus)
This BPO would place outpatient mental health and medical clinics and domiciliary services in new construction west of the fire station (Building 19) on the northeastern part of the campus. Buildings 16, 19, 20, and 24 will be retained to provide the necessary support services to the Montrose VAMC. This BPO anticipates the demolition of the water towers, and that all other existing buildings and infrastructure (including the water distribution system and waste water treatment plant) would be available for re-use opportunities when the new facility is complete. Parking is adequate for projected future workload. Parcels 1, 2, 3, 4 (50%), 5, 6, and 7 are available for re-use. Potential re-uses include senior residential, institutional or office, and local retail.
BPO 3: At Montrose, Construct New Domiciliary and Ambulatory Care Facility East of Fire Station (North Campus)
This BPO would place outpatient mental health and medical clinics and domiciliary services in new construction east of the fire station (Building 19) on the northeastern part of the campus. Buildings 16, 17, 18, and 24 will be demolished to provide space for this new facility. This BPO anticipates that all other existing buildings and infrastructure (including the water distribution system and waste water treatment plant) would be available for re-use opportunities when the new facility is complete. Parking is adequate for projected future workload. Parcels 1, 2, 3 (85%), 4 (75%), 5, 6, and 7 are available for re-use. Potential re-uses include senior residential, institutional or office, and local retail.
BPO 4: At Montrose, Construct New Domiciliary and Ambulatory Care Facility South of Fire Station (Site of Buildings 13 and 14)
This BPO would place outpatient mental health and medical clinics and domiciliary services in new construction south of the fire station on the site of Buildings 13 and 14. Buildings 13 and 14 will be demolished to provide the necessary space for the new facilities. This BPO anticipates that all other existing buildings and infrastructure (including the water distribution system and waste water treatment plant) would be available for re-use opportunities when the new facility is complete. Parking is adequate for projected future workload. Parcels 1, 2, 3 (80%), 4, 5, 6, and 7 are available for re-use. Potential re-uses include senior residential, institutional or office, and local retail.
BPO 5: At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility North of Fire Station
This BPO would place outpatient mental health and medical clinics in new construction on the northern campus in the area of existing domiciliary (Building 52) and construct a new domiciliary building in the northwestern part of the campus by the residential quarters. Building 52 will be demolished to provide the necessary space for the outpatient building. This BPO anticipates that all other existing buildings and infrastructure (including the water distribution system and waste water treatment plant) would be available for re-use opportunities when the new facility is complete. Parking is adequate for projected future workload. Parcels 1, 2, 3 (90%), 4 (50%), 5, 6, and 7 are available for re-use. The percentage of land available for re-use in Parcel 3 is higher due to the location of the new facilities outside the core of this parcel. Potential re-uses include senior residential, institutional or office, and local retail.
BPO 6: At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility at Campus Entrance
This BPO would place outpatient mental health and medical clinics in new construction on the northeastern campus near the campus entrance off Route 9A and construct a new domiciliary building in the northwestern part of the campus by the residential quarters. This BPO anticipates that all other existing buildings and infrastructure (including the water distribution system and waste water treatment plant) would be available for re-use opportunities when the new facility is complete. Parking is adequate for projected future workload, although the location of existing parking is not ideal for the new outpatient facility. Parcels 2, 3, 4 (50%), 5, 6, and 7 are available for re-use. Potential re-uses include senior residential, institutional or office, and local retail.
BPO 7: At Castle Point, Construct All New Facilities West of Existing Buildings
This BPO would construct a new multistory, 564,000 square foot building on vacant land west of the existing buildings at Castle Point. This new building would accommodate all inpatient, outpatient, and nursing home services. All other existing patient care buildings on the campus would be vacated when this new facility is complete. Parking will need to be expanded to accommodate a greater number of visitors and employees. No re-use studies were conducted for this campus.

BPO 8: At Castle Point, Construct All New Facilities South of Existing Buildings
This BPO would construct a new multistory, 564,000 square foot building on vacant land south of the existing patient care buildings on the site of the existing Quarters Buildings at Castle Point. The Quarters Buildings and Building 46 would be demolished. This new building would accommodate all inpatient, outpatient, and nursing home services. All other existing patient care buildings on the campus would be vacated when this new facility is complete. Parking will need to be expanded to accommodate a greater number of visitors and employees. No re-use studies were conducted for this campus.
BPO 9: At Castle Point, Construct All New Facilities on Western Campus Adjacent to River Road South
This BPO would construct a new multistory, 564,000 square foot building on vacant land on the western side of the campus adjacent to River Road South. This new building would accommodate all inpatient, outpatient, and nursing home services. All other existing patient care buildings on the campus would be vacated when this new facility is complete. Parking will need to be expanded to accommodate a greater number of visitors and employees. No re-use studies were conducted for this campus.
BPO 10: At Castle Point, Renovate and Build New Nursing Home on Northeastern Campus
This BPO would replace the nursing home services in the area of the existing nursing home (Buildings 19, 20, and 21). It would renovate nearly 300,000 square feet in the remaining buildings. The new construction and renovated buildings would accommodate all inpatient, outpatient, and nursing home services. Other existing patient care buildings on the campus would be vacated when this new facility is complete. Parking will need to be expanded to accommodate a greater number of visitors and employees. No re-use studies were conducted for this campus.
BPO 11: At Montrose, Construct New Outpatient Building, Transfer Domiciliary to Castle Point, and Close Fire Station.
This BPO was created during the second LAP meeting and envisions that services transferred to the Castle Point campus from Montrose would also include domiciliary services. This BPO would make more of the Montrose campus available for re-use and allows closure of the Montrose fire station, which would result in annual operating savings.

BPO Site Plans and Schedules

Figure 6: Proposed Site Plan - BPO 1 (Baseline: Montrose)

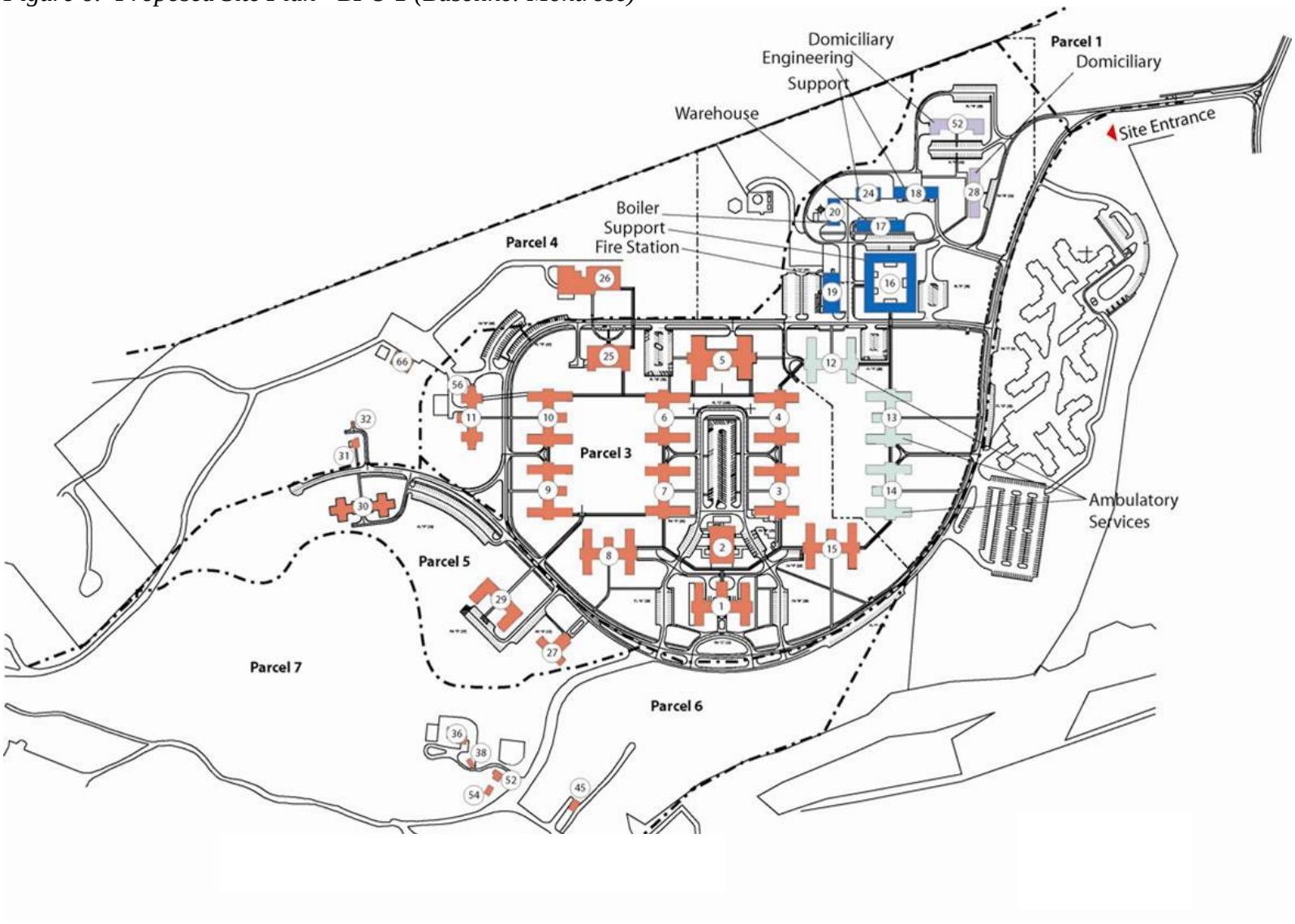


Figure 7: Proposed Site Plan - BPO 1 (Baseline: Castle Point)

Figure 8: Proposed New Site Plan - BPO 2 (At Montrose, Construct New Domiciliary and Ambulatory Care Facility West of Fire Station (North Campus))

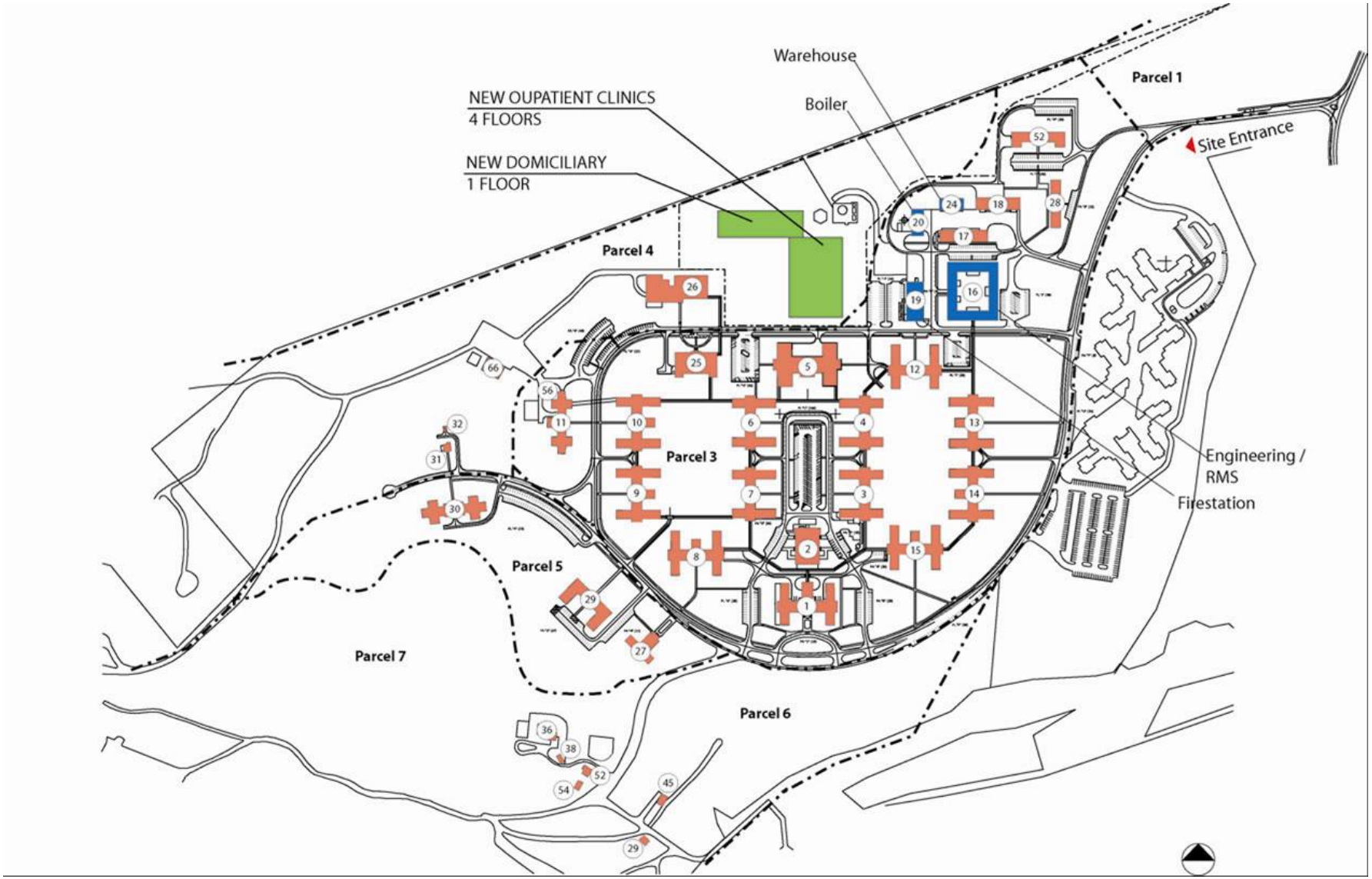


Figure 9: Proposed New Site Plan - BPO 3 (At Montrose, Construct New Domiciliary and Ambulatory Care Facility East of Fire Station (North Campus))

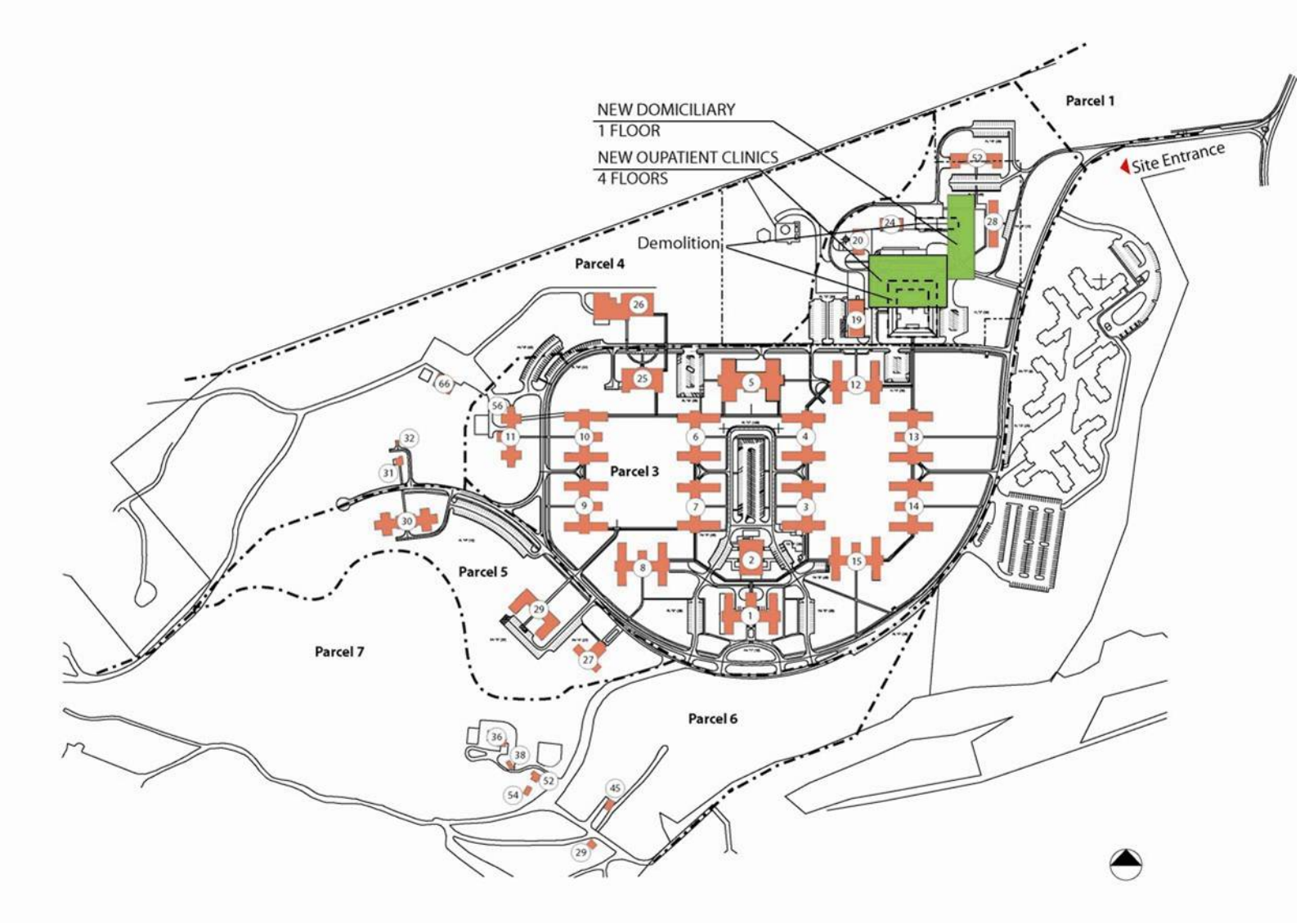


Figure 10: Proposed New Site Plan - BPO 4 (At Montrose, Construct New Domiciliary and Ambulatory Care Facility South of Fire Station (Site of Buildings 13 and 14))

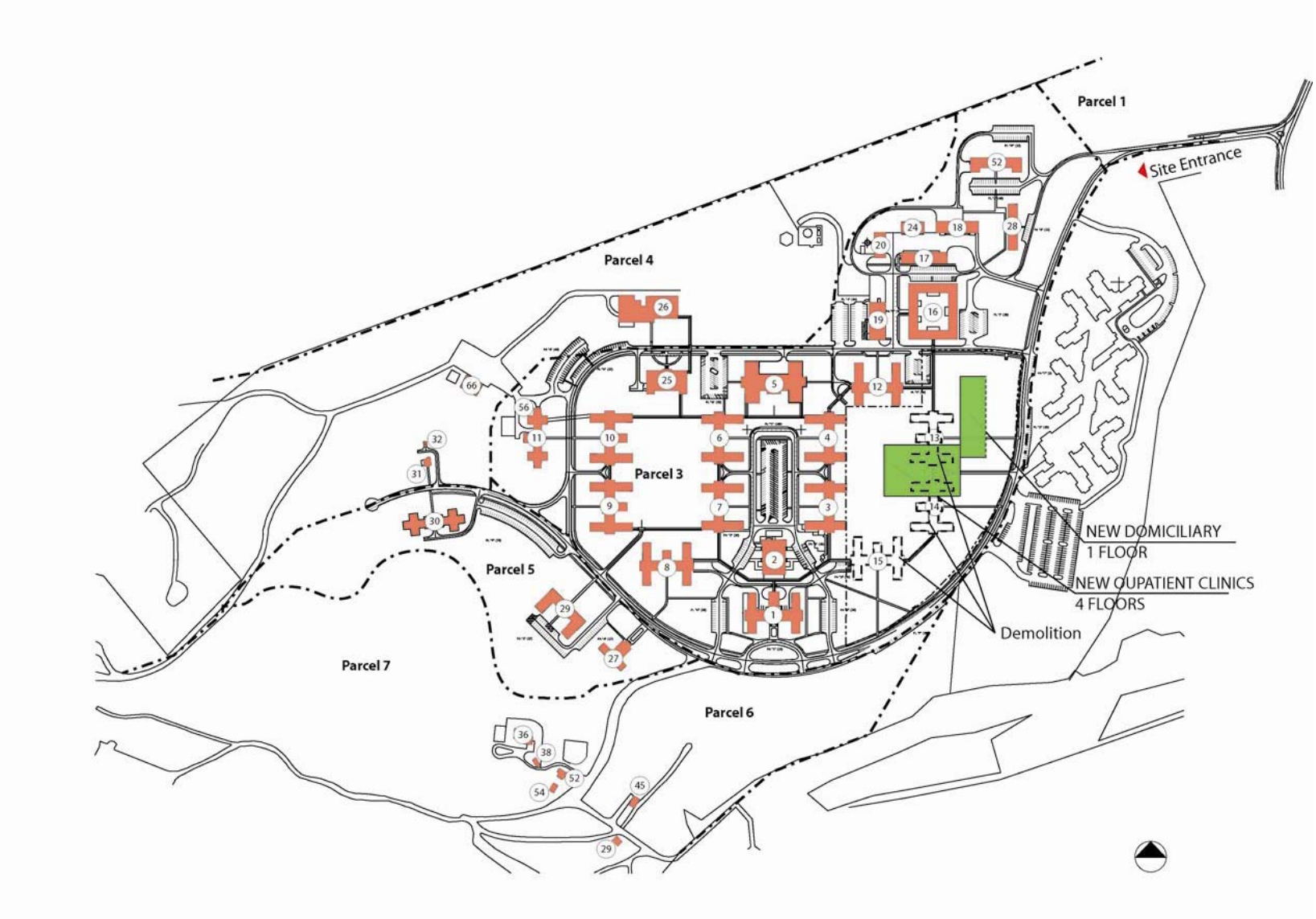


Figure 11: Proposed New Site Plan - BPO 5 (At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility North of Fire Station)

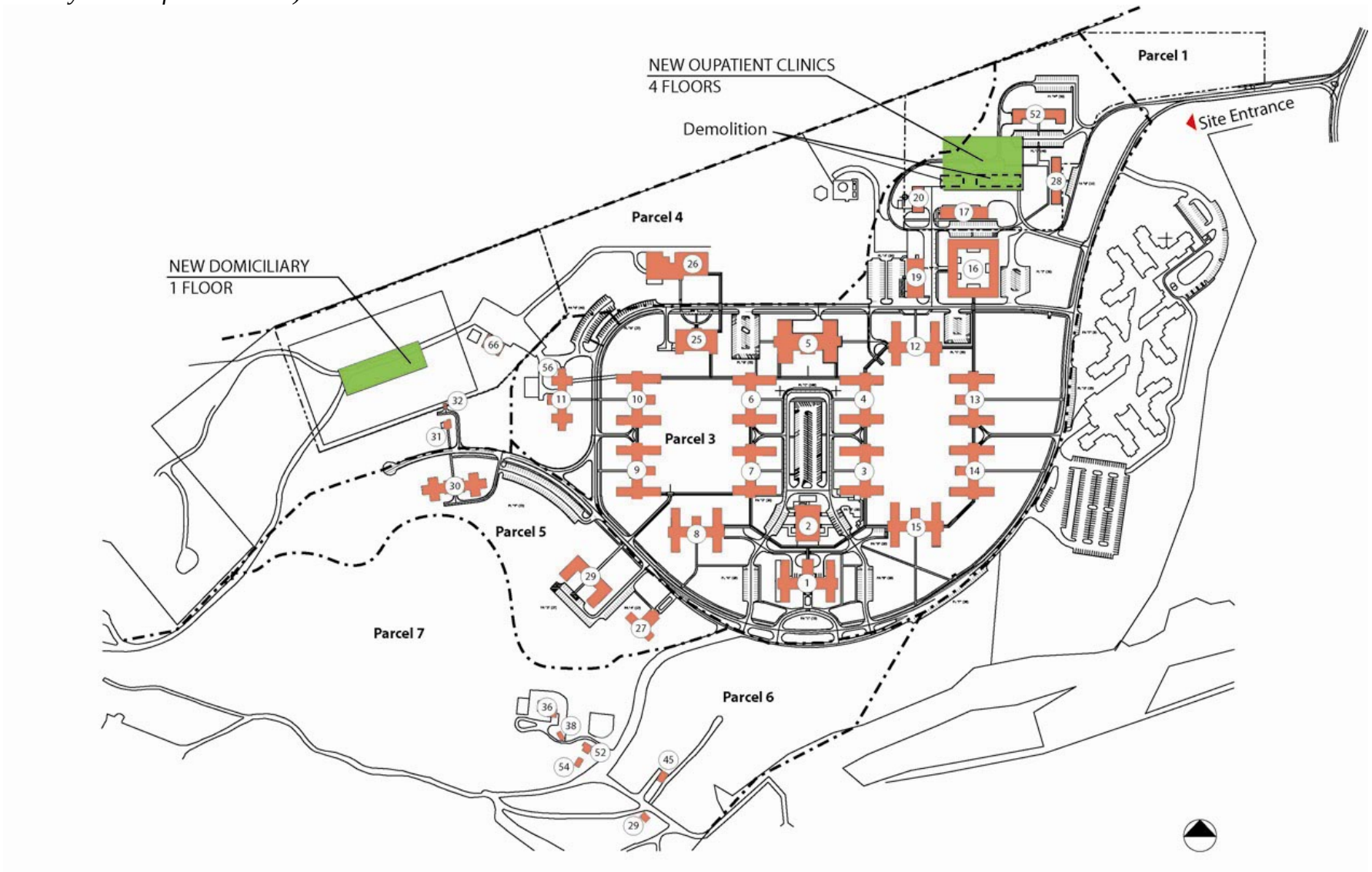


Figure 12: Proposed New Site Plan - BPO 6 (At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility at Campus Entrance)

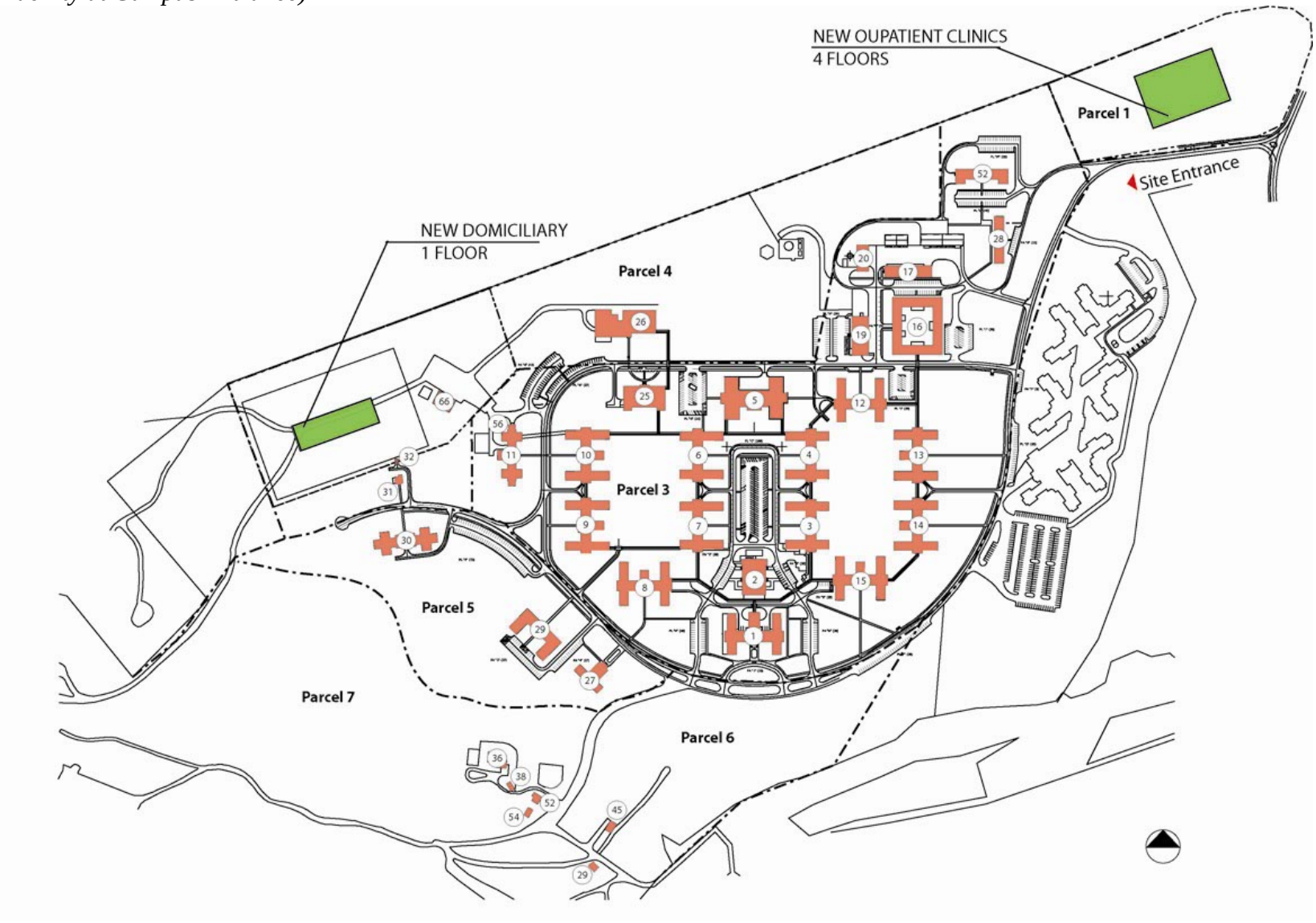


Figure 13: Proposed New Site Plan - BPO 7 (At Castle Point, Construct All New Facilities West of Existing Buildings)

Figure 14: Proposed New Site Plan - BPO 8 (At Castle Point, Construct All New Facilities South of Existing Buildings)

Figure 15: Proposed New Site Plan - BPO 9 (At Castle Point, Construct All New Facilities on Western Campus Adjacent to River Road South)

Figure 16: Proposed New Site Plan - BPO 10 (At Castle Point, Renovate and Build New Nursing Home on Northeastern Campus)

Schedules

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

Figure 17: BPO 1 (Baseline)

ID	Task Name	Duration	Start
1	**Design**	**720 days**	**Mon 2/7/11**
2	Bronx renovation	9 mons	Mon 4/2/12
3	Castle Point new construction	12 mons	Mon 2/7/11
4	Castle Point renovation	9 mons	Mon 3/4/13
5	Montrose renovation for Doms	9 mons	Mon 6/6/11
6	Montrose renovation for Clinics	9 mons	Mon 5/7/12
7	**Bronx VA**	**240 days**	**Tue 1/1/13**
8	Renovate for SCI	12 mons	Tue 1/1/13
9	**Castle Point VA**	**736 days**	**Mon 1/9/12**
10	New Construction	24 mons	Mon 1/9/12
11	Renovate	12 mons	Tue 12/3/13
12	**Montrose VA**	**711 days**	**Mon 2/13/12**
13	Renovation of bldgs 52 and 28 for Doms	12 mons	Mon 2/13/12
14	Renovation of bldgs 12 and 13 for Clinics	12 mons	Mon 1/14/13
15	Relocate Acute Psych, LTC Psych and NHC to Castle Point	0 days	Mon 11/3/14

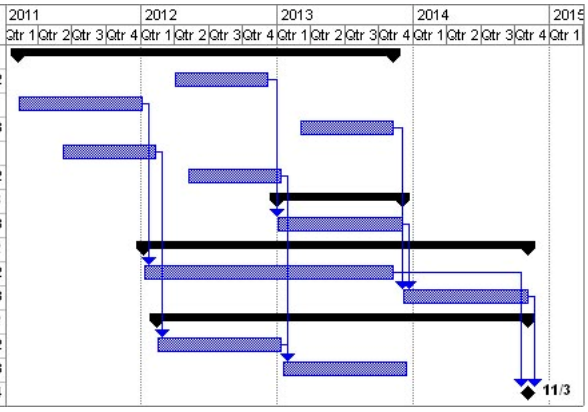


Figure 18: BPO 2 (At Montrose, Construct New Domiciliary and Ambulatory Care Facility West of Fire Station (North Campus))

ID	Task Name	Duration	Start	Finish
1	**Design**	**654 days**	**Mon 5/9/11**	**Thu 11/7/13**
2	Bronx renovation	9 mons	Thu 3/1/12	Wed 11/7/12
3	Castle Point renovation	9 mons	Fri 3/1/13	Thu 11/7/13
4	Castle Point new Construction	12 mons	Mon 4/2/12	Fri 3/1/13
5	Montrose New Construction	12 mons	Mon 5/9/11	Fri 4/6/12
6	**Bronx VA**	**240 days**	**Tue 1/1/13**	**Mon 12/2/13**
7	Renovate for SCI	12 mons	Tue 1/1/13	Mon 12/2/13
8	**Castle Point VA**	**480 days**	**Mon 3/4/13**	**Fri 1/2/15**
9	Renovate	12 mons	Tue 12/3/13	Mon 11/3/14
10	New Construction	24 mons	Mon 3/4/13	Fri 1/2/15
11	**Montrose VA**	**695 days**	**Mon 5/7/12**	**Fri 1/2/15**
12	Build new Water Tower	6 mons	Mon 5/7/12	Fri 10/19/12
13	Demolish existing Water Tower	2 mons	Mon 10/22/12	Fri 12/14/12
14	New Construction	24 mons	Tue 1/1/13	Mon 11/3/14
15	Relocate Acute Psych, LTC Psych and NHC to Castle Point	0 days	Fri 1/2/15	Fri 1/2/15

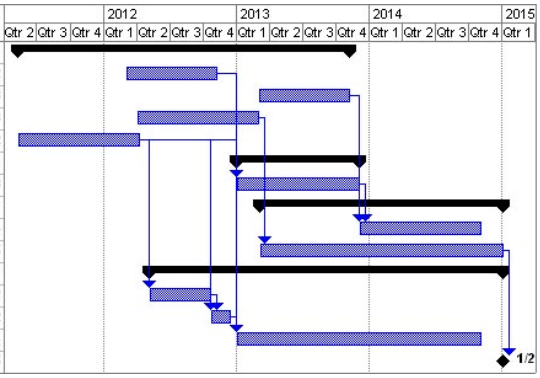


Figure 19: BPO 3 (At Montrose, Construct New Domiciliary and Ambulatory Care Facility East of Fire Station (North Campus))

ID	Task Name	Duration	Start	Finish
1	**Design**	**740 days**	**Mon 1/10/11**	**Fri 11/8/13**
2	Bronx renovation	9 mons	Mon 4/2/12	Fri 12/7/12
3	Castle Point renovation	9 mons	Mon 3/4/13	Fri 11/8/13
4	Castle Point new construction	12 mons	Mon 1/2/12	Fri 11/30/12
5	Montrose new construction	12 mons	Mon 1/10/11	Fri 12/9/11
6	**Bronx VA**	**240 days**	**Tue 1/1/13**	**Mon 12/2/13**
7	Renovate for SCI	12 mons	Tue 1/1/13	Mon 12/2/13
8	**Castle Point VA**	**480 days**	**Tue 1/1/13**	**Mon 11/3/14**
9	Renovate	12 mons	Tue 12/3/13	Mon 11/3/14
10	New Construction	24 mons	Tue 1/1/13	Mon 11/3/14
11	**Montrose VA**	**736 days**	**Mon 1/9/12**	**Mon 11/3/14**
12	Minor renovations for temp. Engineering	6 mons	Mon 1/9/12	Fri 6/22/12
13	Demolish bldgs 16, 17, 18, and 24	6 mons	Mon 6/25/12	Fri 12/7/12
14	New Construction	24 mons	Tue 1/1/13	Mon 11/3/14
15	Relocate Acute Psych, LTC Psych and NHC to Castle Point	0 days	Mon 11/3/14	Mon 11/3/14

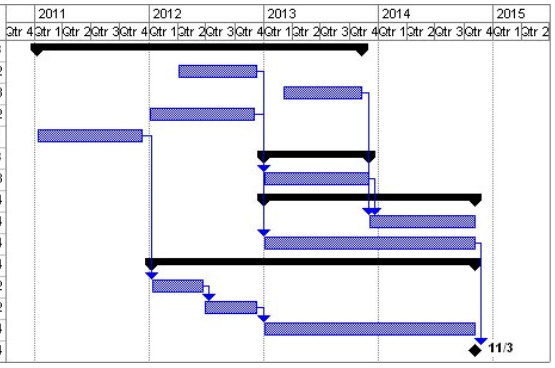


Figure 20: BPO 4 (At Montrose, Construct New Domiciliary and Ambulatory Care Facility South of Fire Station (Site of Buildings 13 and 14))

ID	Task Name	Duration	Start
1	**Design**	**635 days**	**Mon 6/6/11**
2	Bronx renovation	9 mons	Mon 4/2/12
3	Castle Point renovation	9 mons	Mon 3/4/13
4	Castle Point new construction	12 mons	Mon 7/4/11
5	Montrose new construction	12 mons	Mon 6/6/11
6	**Bronx VA**	**240 days**	**Tue 1/1/13**
7	Renovate for SCI	12 mons	Tue 1/1/13
8	**Castle Point VA**	**720 days**	**Mon 6/4/12**
9	New Construction	24 mons	Mon 6/4/12
10	Renovate	12 mons	Mon 4/7/14
11	**Montrose VA**	**738 days**	**Wed 5/9/12**
12	Vacate bldgs 13 and 14	2 mons	Wed 5/9/12
13	Demolish bldgs 13 and 14	6 mons	Wed 7/4/12
14	New Construction	24 mons	Tue 1/1/13
15	Relocate Acute Psych, LTC Psych and NHC to Castle Point	0 days	Fri 3/6/15

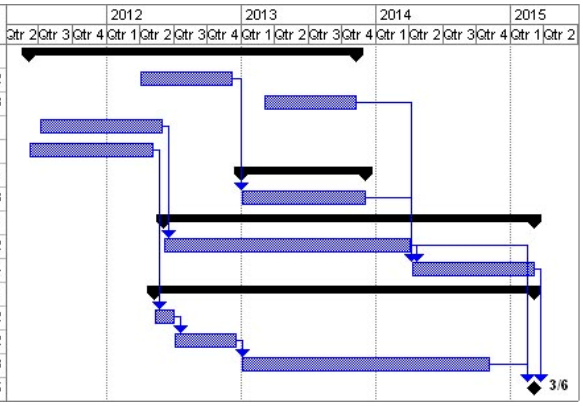


Figure 21: BPO 5 (At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility North of Fire Station)

ID	Task Name	Duration	Start	Finish
1	**Design**	**1135 days**	**Mon 7/6/09**	**Fri 11/8/13**
2	Bronx renovation	9 mons	Mon 4/2/12	Fri 12/7/12
3	Castle Point new construction	12 mons	Mon 2/7/11	Fri 1/6/12
4	Castle Point renovation	9 mons	Mon 3/4/13	Fri 11/8/13
5	Montrose Dom new construction	12 mons	Mon 7/6/09	Fri 6/4/10
6	Montrose Clinic new construction	12 mons	Mon 6/6/11	Fri 5/4/12
7	**Bronx VA**	**240 days**	**Tue 1/1/13**	**Mon 12/2/13**
8	Renovate for SCI	12 mons	Tue 1/1/13	Mon 12/2/13
9	**Castle Point VA**	**716 days**	**Mon 2/6/12**	**Mon 11/3/14**
10	New Construction	24 mons	Mon 2/6/12	Fri 12/6/13
11	Renovate	12 mons	Tue 12/3/13	Mon 11/3/14
12	**Montrose VA**	**1127 days**	**Fri 7/9/10**	**Mon 11/3/14**
13	New Dom Construction	24 mons	Fri 7/9/10	Thu 5/10/12
14	Demolish bldg 52	6 mons	Fri 5/11/12	Thu 10/25/12
15	New Clinic Construction	24 mons	Mon 12/3/12	Fri 10/3/14
16	Relocate Acute Psych, LTC Psych and NHC to Castle Point	0 days	Mon 11/3/14	Mon 11/3/14

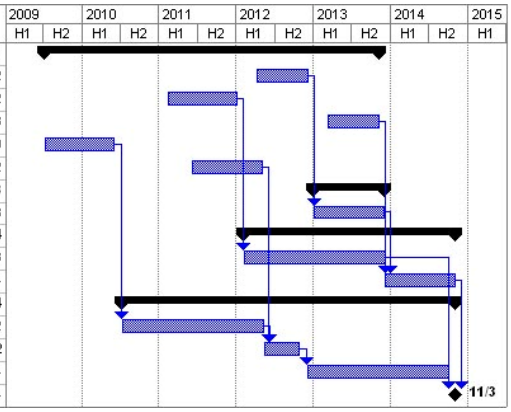


Figure 22: BPO 6 (At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility at Campus Entrance)

ID	Task Name	Duration	Start	Finish
1	**Design**	**745 days**	**Mon 1/3/11**	**Fri 11/8/13**
2	Bronx renovation	9 mons	Mon 4/2/12	Fri 12/7/12
3	Castle Point renovation	9 mons	Mon 3/4/13	Fri 11/8/13
4	Castle Point new construction	12 mons	Mon 2/7/11	Fri 1/6/12
5	Montrose Dom new construction	12 mons	Mon 1/3/11	Fri 12/2/11
6	Montrose Clinic new construction	12 mons	Mon 7/2/12	Fri 5/31/13
7	**Bronx VA**	**240 days**	**Tue 1/1/13**	**Mon 12/2/13**
8	Renovate for SCI	12 mons	Tue 1/1/13	Mon 12/2/13
9	**Castle Point VA**	**720 days**	**Mon 2/6/12**	**Fri 11/7/14**
10	New Construction	24 mons	Mon 2/6/12	Fri 12/6/13
11	Renovate	12 mons	Mon 12/9/13	Fri 11/7/14
12	**Montrose VA**	**960 days**	**Mon 2/6/12**	**Fri 10/9/15**
13	New Dom Construction	24 mons	Mon 2/6/12	Fri 12/6/13
14	New Clinic Construction	24 mons	Mon 12/9/13	Fri 10/9/15
15	Relocate Acute Psych, LTC Psych and NHC to Castle Point	0 days	Fri 10/9/15	Fri 10/9/15

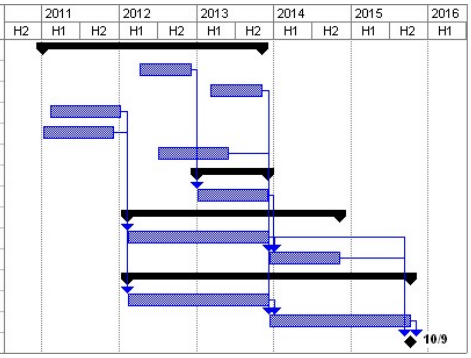


Figure 23: BPO 7 (At Castle Point, Construct All New Facilities West of Existing Buildings)

ID	Task Name	Duration	Start	Finish
1	**Design**	**485 days**	**Mon 1/2/12**	**Fri 11/8/13**
2	Bronx renovation	9 mons	Mon 4/2/12	Fri 12/7/12
3	Castle Point new	12 mons	Mon 1/2/12	Fri 11/30/12
4	Castle Point renovation	9 mons	Mon 3/4/13	Fri 11/8/13
5	Montrose new Dom	12 mons	Mon 1/2/12	Fri 11/30/12
6	Montrose new Clinic	12 mons	Mon 1/2/12	Fri 11/30/12
7	**Bronx VA**	**240 days**	**Tue 1/1/13**	**Mon 12/2/13**
8	Renovate for SCI	12 mons	Tue 1/1/13	Mon 12/2/13
9	**Castle Point VA**	**480 days**	**Tue 1/1/13**	**Mon 11/3/14**
10	New Construction	24 mons	Tue 1/1/13	Mon 11/3/14
11	Renovate	12 mons	Tue 12/3/13	Mon 11/3/14
12	**Montrose VA**	**480 days**	**Tue 1/1/13**	**Mon 11/3/14**
13	New Dom Construction	24 mons	Tue 1/1/13	Mon 11/3/14
14	New Clinic Construction	24 mons	Tue 1/1/13	Mon 11/3/14
15	Relocate Acute Psych, LTC Psych and NHC to Castle Point	0 days	Mon 11/3/14	Mon 11/3/14

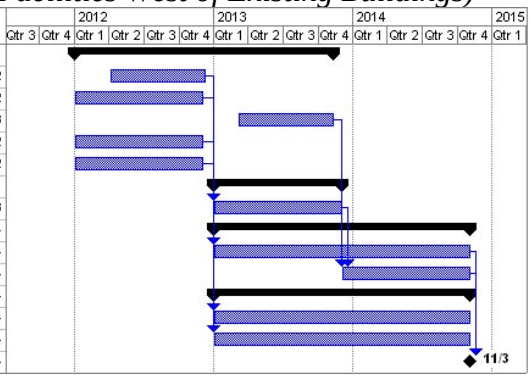


Figure 24: BPO 8 (At Castle Point, Construct All New Facilities South of Existing Buildings)

ID	Task Name	Duration	Start	Finish
1	**Design**	**355 days**	**Mon 8/1/11**	**Fri 12/7/12**
2	Bronx renovation	9 mons	Mon 4/2/12	Fri 12/7/12
3	Castle Point new	12 mons	Mon 8/1/11	Fri 6/29/12
4	**Bronx VA**	**240 days**	**Tue 1/1/13**	**Mon 12/2/13**
5	Renovate for SCI	12 mons	Tue 1/1/13	Mon 12/2/13
6	**Castle Point VA**	**480 days**	**Wed 8/1/12**	**Tue 6/3/14**
7	New Construction	24 mons	Wed 8/1/12	Tue 6/3/14

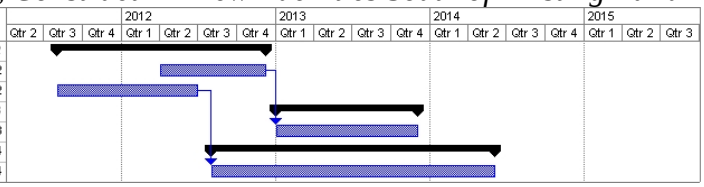


Figure 25: BPO 9 (At Castle Point, Construct All New Facilities on Western Campus Adjacent to River Road South)

ID	Task Name	Duration	Start	Finish
1	**Design**	**355 days**	**Mon 8/1/11**	**Fri 12/7/12**
2	Bronx renovation	9 mons	Mon 4/2/12	Fri 12/7/12
3	Castle Point new	12 mons	Mon 8/1/11	Fri 6/29/12
4	**Bronx VA**	**240 days**	**Tue 1/1/13**	**Mon 12/2/13**
5	Renovate for SCI	12 mons	Tue 1/1/13	Mon 12/2/13
6	**Castle Point VA**	**480 days**	**Wed 8/1/12**	**Tue 6/3/14**
7	New Construction	24 mons	Wed 8/1/12	Tue 6/3/14

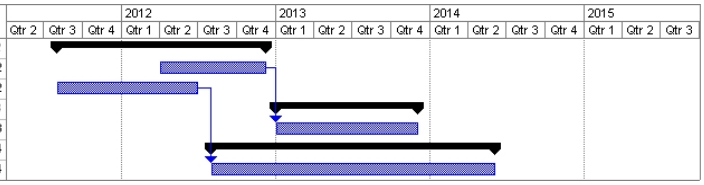
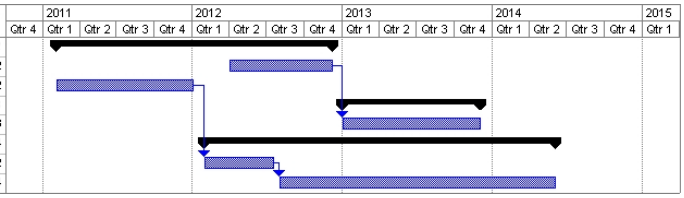


Figure 26: BPO 10 (At Castle Point, Renovate and Build New Nursing Home on Northeastern Campus)

ID	Task Name	Duration	Start	Finish
1	**Design**	**482 days**	**Thu 2/3/11**	**Fri 12/7/12**
2	Design Bronx reno	9 mons	Mon 4/2/12	Fri 12/7/12
3	Design Castle Point new	12 mons	Thu 2/3/11	Wed 1/4/12
4	**Bronx VA**	**240 days**	**Tue 1/1/13**	**Mon 12/2/13**
5	Renovate for SCI	12 mons	Tue 1/1/13	Mon 12/2/13
6	**Castle Point VA**	**610 days**	**Wed 2/1/12**	**Tue 6/3/14**
7	Demolish bldgs 19, 20, 21	6 mons	Wed 2/1/12	Tue 7/17/12
8	New Construction	24 mons	Wed 8/1/12	Tue 6/3/14



Assessment Drivers

The consolidation of healthcare services between the Montrose and Castle Point campuses is heavily driven by the following:

- Significant decreases in projected demand for services;
- The age of existing facilities; and
- The significant surplus land at each campus.

Over the next 20 years, the number of enrolled veterans for the Metro New York market is expected to decline by 41%, from 169,376 to 99,546. Enrollment of Priority 1-6 veterans (those with the greatest service-connected needs) is projected to decrease by 21% by 2023.

The demand for inpatient and domiciliary services at Montrose/Castle Point will also decline over the next 20 years, while VA projects a constant level of demand for nursing home beds at the 2003 level of 183 beds. With regard to inpatient care:

- The total number of inpatient mental health, psychiatry, and substance abuse beds decreases from 62 to 45 in 2023
- Domiciliary beds decrease from 74 in 2003 to 60 in 2023
- The effect of these decreases does not mean smaller facilities are required. While fewer beds will be in operation, to meet the modern, safe and secure requirements, the actual building envelope (square footage) increases compared to the existing square footage.

Ambulatory care volumes will also decline modestly. As with the decline in inpatient beds, this does not result in a decline in aggregate facility requirements. The decrease in ambulatory volumes will not result in less square footage needed, since meeting the modern, safe and secure standard requires additional square footage.

These long-term healthcare trends for the Montrose/Castle Point campuses, together with major drivers were considered for the two campuses. These drivers represent factors particularly noticeable that must be balanced in the development and evaluation of business plan options. They are:

1). Significant declines in demand for inpatient and outpatient services through 2023.
2). Both campuses consist largely of buildings and infrastructure that do not conform to modern health facility standards.
3). Substantial vacant buildings and unused land create significant re-use potential at the Montrose campus.

These three drivers are described further below.

Healthcare Quality – The Secretary's Decision requires consolidation of all inpatient and nursing home services on the Castle Point campus. With the exception of one patient care building completed in 1989, the buildings on the Castle Point campus require either substantial renovation or replacement to accommodate the psychiatry and nursing home patients now cared for on the Montrose campus. In addition, the domiciliary at Montrose also requires either substantial renovation or replacement, as do the buildings on both campuses in which ambulatory care is provided. However, this consolidation presents the opportunity to upgrade all of the facilities on the Castle Point campus to improve compliance with modern, safe, and secure facility standards.

Better Use of VA Resources – There is significant opportunity to right size facilities at both sites to meet projected demand. This can result in significant cost avoidance opportunities at Montrose because so many of the buildings are currently vacant or will become so when patient

services are transferred to the Castle Point campus. Disposition would reduce future maintenance costs. Although significant new construction costs are required at Castle Point, operating efficiencies can still be achieved.

Re-Use Potential – Analysis of the re-use potential for the Montrose campus indicates that it is reasonably well located for a variety of re-use purposes. Several years ago, a coalition of local interests submitted a plan for an Enhanced-Use Lease development which provides tangible evidence of residential re-use potential. A 252-bed New York State Veterans Nursing Home was completed in 2001 on land which was previously part of the Montrose campus. A portion of the campus overlooks or borders the Hudson River, although the State of New York is seeking an easement along the facility's 2,500 feet of river frontage as part of the Hudson River Valley Greenway, a project to provide local opportunities for recreation and public access to the Hudson River. Similarly, the NCA has expressed interest in obtaining 20 acres on the site for a columbarium, although no firm commitments regarding timing have been made. The BPOs have been constructed in such a manner as to allow consideration of a specific location for the columbarium in Stage II.

Table 14 illustrates the potential acreage available for re-use based on the Stage I analysis.

Table 14: Re-use Acreage Available

	Parcel 1*	Parcel 2*	Parcel 3	Parcel 4	Parcel 5	Parcel 6	Parcel 7
ACRES	6	9	65	35	16	22	40

% OF PARCEL ACREAGE AVAILABLE BY BPO

BPO	Parcel 1	Parcel 2	Parcel 3	Parcel 4	Parcel 5	Parcel 6	Parcel 7
1	100%	100%	75%	75%	100%	100%	100%
2	100%	100%	100%	50%	100%	100%	100%
3	100%	100%	85%	75%	100%	100%	100%
4	100%	100%	80%	100%	100%	100%	100%
5	100%	100%	90%	50%	100%	100%	100%
6	0%	100%	100%	50%	100%	100%	100%
11**	100%	100%	85%	100%	100%	100%	100%

ACRES AVAILABLE (Parcel Acreage times % Available)

BPO	Parcel 1	Parcel 2	Parcel 3	Parcel 4	Parcel 5	Parcel 6	Parcel 7	Total
1	6	9	49	26	16	22	40	168
2	6	9	65	18	16	22	40	176
3	6	9	55	26	16	22	40	175
4	6	9	52	35	16	22	40	180
5	6	9	59	18	16	22	40	169
6	-	9	65	18	16	22	40	170
11	6	9	55	35	16	22	40	183

*Parcels 1 and 2 combined = 15 acres. The split of 6 acres in Parcel 1 and 9 acres in Parcel 2 is a preliminary estimate

**BPO 11 a preliminary estimate. BPO 11 was formulated by LAP.

Assessment Results

The following tables (Tables 15 and 16) detail the results of applying discriminating criteria and comparison against the baseline in accordance with the Evaluation System for BPOs (Table 10). Subsequent sections describe the reactions of the Local Advisory Panel and Stakeholders to these BPOs, Team PwC's screening assessment of LAP options, and Team PwC's overall recommendations for each BPO.

Table 15: Baseline Assessment

Assessment of Baseline	Description of Impact
Healthcare Quality	
Ensures forecast healthcare need is appropriately met	**Montrose:** There will be no material differences in the accommodation of projected demand. Demand is not expected to exceed site capacity for domiciliary and outpatient care and will be accommodated on-site through the projection period. The facility is sized to meet the projected patient demand volumes. **Castle Point:** There will be no material differences in the accommodation of projected demand. Demand is not expected to exceed site capacity for inpatient, nursing home, and outpatient care and will be accommodated on-site through the projection period. The facility is sized to meet the projected patient demand volumes.
Modern, safe, and secure environment	**Montrose:** Conditions of buildings on the Montrose campus vary. The buildings have ratings between 1 and 5for critical values such as accessibility, code, functional space, and facility conditions. The baseline improves site safety by renovating buildings on the north side of the campus for ambulatory and domiciliary care and bringing buildings up to code. **Castle Point:** Conditions of buildings on the Castle Point campus vary. The buildings have ratings between 3 and 5 for critical values such as accessibility, code, functional space, and facility conditions. The baseline improves site safety by renovating existing buildings containing inpatient, outpatient, and nursing home services and constructing new facilities to house patients transferred from Montrose.
Use of VA Resources	
Operating cost effectiveness	**Montrose:** 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. **Castle Point:** 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 expenditures estimated	**Montrose:** Significant capital expenditure is required to renovate and upgrade facilities to modern, safe, and secure standards, even though most buildings on campus are no longer in use. **Castle Point:** Significant capital expenditure is required to renovate and upgrade facilities to modern, safe, and secure standards and accommodate increased number of inpatients.

Assessment of Baseline	Description of Impact
Level of re-use proceeds	**Montrose:** Parcels 1, 2, 3 (75%), 4 (75%), 5, 6, and 7, totaling approximately 168 acres, on the Montrose campus are available for re-use with varying degrees of re-use potential. Veterans continue to receive outpatient care in renovated Buildings 12, 13, and 14, domiciliary care is provided in renovated Buildings 28 and 52, while four other buildings are retained to provide support services, including fire protection. The re-use of some of these parcels is inhibited by topography, environment, zoning, or buildings that VA has designated as historical. Some of the buildings are in good condition and could be readily re-used. Several re-use parcels could be very attractive to a variety of non-VA entities, as evidenced by the proposal to locate senior housing on the campus.
Cost avoidance opportunities	**Montrose:** In the baseline, it is assumed that the $38 million identified in the CAI database for facility improvements would be expended, but recurring maintenance costs for some vacated buildings (Buildings 1-6, 34, 45, 46 and 48) are eliminated. **Castle Point:** In the baseline, it is assumed that amounts identified in the CAI database for facility improvements would be expended.
Overall cost effectiveness	Not applicable for the baseline.
Ease of Implementation	
Ease of BPO implementation	**Montrose:** The baseline BPO presents implementation risk in terms of the following major risk areas: ▪ Continuity of Care: Renovation may affect ability to provide uninterrupted care ▪ Organization & Change: Although the two VAMCs are only 25 miles apart, it is conceivable that some staff who provide care to psychiatry and nursing home patients at Montrose may leave VA employment rather than accept reassignment to Castle Point ▪ Security: Renovation may not be able to conform the buildings to all code requirements given physical constraints of the buildings **Castle Point:** The baseline BPO presents implementation risk in terms of the following major risk areas: ▪ Continuity of Care: Renovation may affect ability to provide uninterrupted care ▪ Security: Renovation may not be able to conform the buildings to all code requirements given physical constraints of the buildings
Ability to Support VA Programs	
DoD sharing	No DoD sharing arrangements are expected in the baseline.
One-VA Integration	**Montrose:** The baseline environment furthers One-VA integration by making 20 acres available to the National Cemetery Administration for a columbarium.
Special Considerations	No special considerations noted.
Overall Attractiveness	Not applicable for the baseline.

Table 16 provides an overall summary of the BPOs assessed for comparative purposes.

Table 16: BPO Assessment Summary[9]

Assessment Summary	BPO 2	BPO 3	BPO 4	BPO 5	BPO 6	BPO 7	BPO 8	BPO 9	BPO 10
	At Montrose, Construct New Domiciliary and Ambulatory Care Facility West of Fire Station (North Campus)	At Montrose, Construct New Domiciliary and Ambulatory Care Facility East of Fire Station (North Campus)	At Montrose, Construct New Domiciliary and Ambulatory Care Facility South of Fire Station (Site of Buildings 13 and 14)	At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility North of Fire Station	At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility at Campus Entrance	At Castle Point, Construct All New Facilities West of Existing Buildings	At Castle Point, Construct All New Facilities South of Existing Buildings	At Castle Point, Construct All New Facilities on Western Campus Adjacent to River Road South	At Castle Point, Renovate and Build New Nursing Home on Northeastern Campus
Healthcare Quality									
Ensures forecast healthcare need is appropriately met	↔	↔	↔	↔	↔	↔	↔	↔	↔
Modern, safe, and secure environment	↑	↑	↑	↑	↑	↑	↑	↑	↑
Use of VA Resources									
Operating cost effectiveness	—	—	—	—	—	—	—	—	—
Level of capital expenditures estimated	↓↓	↓↓	↓↓	↓↓	↓↓	↓↓	↓↓	↓↓	↓↓
Level of re-use proceeds	↑↑	↑	↑	↑	↑	N/A	N/A	N/A	N/A
Cost avoidance opportunities	↑↑↑↑	↑↑↑↑	↑↑↑↑	↑↑↑↑	↑↑↑↑	↑↑	↑↑	↑↑	↑↑
Overall cost effectiveness	—	—	—	—	—	↓↓	↓↓	↓↓	↓
Ease of Implementation									
Ease of BPO implementation	↑	↓	↓	↓	↔	↑	↑	↑	↓
Ability to Support VA Programs									
DoD sharing	↔	↔	↔	↔	↔	↔	↔	↔	↔
One-VA Integration	↔	↔	↔	↔	↔	↔	↔	↔	↔
Special Considerations	↔	↔	↔	↔	↔	↔	↔	↔	↔
Overall Attractiveness	↑↑↑↑	↑↑	↑↑	↑↑	—	—	—	—	↓↓

[9] BPO 11 is not included in the Assessment Summary Table. It was 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 BPO has the potential to meet or exceed the CARES objectives. If BPO 11 is selected for Stage II, a more detailed analysis will be completed.

BPO 11: At Montrose, Construct New Outpatient Building, Transfer Domiciliary to Castle Point, and Close Fire Station.

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 17: Screening Results for BPO 11

Criteria	Screening Result
Access	No access information for domiciliary.
Quality	Similar to BPOs 7 – 10, new facilities will increase compliance with modern, safe, and secure standards.
Cost	This BPO will result in the highest re-use proceeds based on maximum potentially available acres (183 in BPO 11 vs. 168-176 in other BPOs), higher cost avoidance, and lower operating costs. The level of capital expenditure remains undetermined at this time, but should not be materially different than the cost of domiciliary renovations at Montrose.

Local Advisory Panel and Stakeholder Reactions/Concerns

Local Advisory Panel Feedback

The Montrose/Castle Point LAP consists of eight members: MaryAnn Musumeci, Joanne Malina, MD, Arthur Weintraub, Benjamin Weisbroth, John Lamoree, Ben Spadaro, John Testa, and Robert Cahill. Two of the members are VA staff, the rest are representatives of the community, veteran service organization, and where appropriate, medical affiliates and the Department of Defense.

At the second LAP meeting on September 22, 2005, following the presentation of public comments, the LAP conducted its deliberation on the BPOs. Two LAP members, John Testa and Robert Cahill, were absent at this meeting. At that time, the LAP proposed one new BPO, BPO 11. Table 18 presents the results of the LAP deliberations. BPOs 2, 4, 7, and 11 were recommended by the LAP for further study, while BPOs 3, 5, 6, 8, 9, and 10 were not.

Table 18: LAP BPO Voting Results

BPO	Label	Yes	No
1	Baseline	Not Voted	Not Voted
2	At Montrose, Construct New Domiciliary and Ambulatory Care Facility West of Fire Station (North Campus)	4	2
3	At Montrose, Construct New Domiciliary and Ambulatory Care Facility East of Fire Station (North Campus)	3	3
4	At Montrose, Construct New Domiciliary and Ambulatory Care Facility South of Fire Station (Site of Buildings 13 and 14)	6	0
5	At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility	0	6

BPO	Label	Yes	No
	North of Fire Station		
6	At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility at Campus Entrance	0	6
7	At Castle Point, Construct All New Facilities West of Existing Buildings	6	0
8	At Castle Point, Construct All New Facilities South of Existing Buildings	0	6
9	At Castle Point, Construct All New Facilities on Western Campus Adjacent to River Road South	0	6
10	At Castle Point, Renovate and Build New Nursing Home on Northeastern Campus	1	5
11*	At Montrose, Construct New Outpatient Building, Transfer Domiciliary to Castle Point, and Close Fire Station.	6	0

* New BPO proposed by LAP

Why the LAP Voted the Way They Did

BPO 2: The LAP recommended this by a vote of 4 (yes) to 2 (no). The principal factors influencing a favorable vote were the new facilities, and their location in a compact area near the currently used – and familiar to veterans and staff – portions of the campus.

BPO 3: The LAP did not recommend this to the Secretary by a vote of 3 (yes) to 3 (no). The principal factor influencing this split decision was the amount of demolition required to locate the new facilities. Some LAP members saw this as major drawback, others did not.

BPO 4: The LAP recommended this by a vote of 6 (yes) to 0 (no). The principal factors influencing a favorable vote were the new facilities, and their location in a compact area near the currently used – and familiar to veterans and staff – portions of the campus. Note that while BPO 4 also requires demolition (like BPO 3), the LAP felt that the level of disruption during implementation would be less, and generally preferred the location suggested by BPO 4 better than BPO 3.

BPOs 5 and 6: The LAP did not recommend these BPOs to the Secretary, in each case by a vote of 0 (yes) to 6 (no). The principal factor influencing the negative vote was the fact that the new facilities were split (distant from each other), potentially leading to operating inefficiencies and less convenient on-campus access for the veterans. In general, the LAP thus prefers BPOs which keep the domiciliary and the outpatient components of the campus near each other.

BPO 7: The LAP recommended this by a vote of 6 (yes) to 0 (no). The principal factors influencing a favorable vote were the new facilities, and their location on a highly attractive portion of the campus – the hilltop which is easily identified on entrance to the site, and also affords terrific views of the Hudson River Valley.

BPOs 8 and 9: The LAP did not recommend these BPOs to the Secretary, in each case by a vote of 0 (yes) to 6 (no). The principal factor influencing the negative vote was the location of the

new facilities. In each case, the LAP favored BPO 7 over BPOs 8 and 9; in addition, BPO 8 would require demolition of guest quarters and other support buildings to accommodate the new facilities.

BPO 10: The LAP did not recommend this to the Secretary by a vote of 1 (yes) to 5 (no). The principal factor influencing this decision was the fact that this BPO does not result in all-new facilities for veterans, and that given the combination of renovation and new construction, implementation would be more risky.

BPO 11: The LAP recommended this by a vote of 6 (yes) to 0 (no). The principal factor influencing a favorable vote was the logic that, by consolidating all inpatient care at Castle Point, operating costs at Montrose would be dramatically improved. In addition, there was a sense that having all inpatient care at Montrose would also enhance continuity. The LAP acknowledged that the consolidation of all inpatient care at Castle Point was outside the bounds of the Secretary's Decision, but felt the potential operating efficiencies merited further study.

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 27.

Stakeholders reviewed the BPOs before the second public LAP meeting and expressed a lack of support for all of the BPOs. Stakeholders showed the most support for BPO 4, which proposes to replace the current Montrose outpatient mental health and medical clinics and domiciliary services with new constructed facilities; however, the majority of stakeholders who commented on this BPO indicated a lack of support. Given that BPO 11 emerged as a result of LAP deliberations, stakeholders did not have the opportunity to provide feedback specific to this option.

Figure 27: Stakeholder Feedback on BPOs[10]

Baseline

At Montrose, Construct New Domiciliary and Ambulatory Care Facility West of Fire Station (North Campus)

At Montrose, Construct New Domiciliary and Ambulatory Care Facility East of Fire Station (North Campus)

At Montrose, Construct New Domiciliary and Ambulatory Care Facility South of Fire Station (Site of Buildings 13 and 14)

At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility North of Fire Station

At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility at Campus Entrance

At Castle Point, Construct All New Facilities West of Existing Buildings

At Castle Point, Construct All New Facilities South of Existing Buildings

At Castle Point, Construct All New Facilities on Western Campus Adjacent to River Road South

At Castle Point, Renovate and Build New Nursing Home on Northeastern Campus

[10] Stakeholder feedback is reflected in this chart only for the BPOs which were presented by Team PwC at the LAP meeting (BPOs 1-10), and not the BPO created by the LAP at the second public LAP meeting (BPO 11). Any stakeholder feedback regarding additional BPOs 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 19 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.

At Montrose, BPOs 2 and 11 (in addition to the baseline, BPO 1) were the BPOs retained. BPO 2, while similar to the others in terms of operating efficiency, re-use potential, capacity, and modernity of facilities offers one of the easiest implementation paths, in a readily developable portion of the campus (thus avoiding demolition) and closely captures two issues of importance to the LAP and stakeholders: keeping the new domiciliary and outpatient facilities close together, and rebuilding them in an area of the campus familiar to veterans. BPO 11 was retained as it provides an opportunity to explore potentially significantly higher operating cost savings through the consolidation of all inpatient services at Castle Point, although this organization of services is counter to the Secretary's Decision Document.

At Castle Point, BPOs 7, 8 and 9 were all retained. These differ only marginally from each other and there is no compelling reason not to continue to explore them all (in addition to BPO 11). BPO 10, which involves a combination of new and renovated facilities, was the sole Castle Point BPO not recommended as it would generate lower operating cost savings while increasing the complexities and risks during implementation.

In keeping with the description of how BPOs from each VAMC could be paired at the start of this section, the universe of pairings is:

- Montrose BPO 1 with… Castle Point BPO 7, 8 or 9;
- Montrose BPO 2 with… Castle Point BPO 7, 8 or 9;
- Montrose BPO 11 with… Castle Point BPO 11.

Thus, the BPOs which Team PwC eliminated from further consideration were BPOs 3, 4, 5, 6, and 10.

Table 19: BPO Recommendations

BPO	Pros	Cons	Rationale
BPOs Recommended by Team PwC for Further Study			
BPO 1: Baseline	• At Castle Point, renovated and newly constructed facilities enhance compliance with modern, safe, and secure standards • Enhances One-VA integration through allocation of 20 acres to NCA for a columbarium • Permits Montrose re-use, limited by current zoning and historical buildings • Cost avoidance opportunity due to elimination of recurring maintenance costs for some buildings	• Significant capital expenditures required to meet modern, safe, and secure standards, which older buildings cannot be renovated to meet • High implementation risk related to highly complex phasing for renovations and the need to bring the buildings up to code and healthcare standards at Castle Point	• The baseline is the BPO against which all other BPOs are assessed
BPO 2: At Montrose, Construct New Domiciliary and Ambulatory Care Facility West of Fire Station (North Campus)	• Low implementation risk related to continuity of care through new construction on currently unoccupied land at Montrose • Very significant cost avoidance opportunity due to elimination of maintenance costs for Buildings 34 and 54 (demolition) and all other vacant clinical buildings • New buildings present opportunity to achieve operating cost efficiencies, although at the Stage I analysis level these are within +/- 5% of the baseline • Slightly higher re-use proceeds potential (176 vs, 168 acres)	• More capital expenditure required due to new construction and demolition	• Potentially more cost effective than the baseline due to operating cost efficiencies and cost avoidance opportunities. • Low implementation risk related to more favorable continuity of care

BPO	Pros	Cons	Rationale
BPO 7: At Castle Point, Construct All New Facilities West of Existing Buildings	• Potentially significantly higher cost avoidance opportunity as maintenance to all existing buildings is avoided by moving all services into new facilities and all old facilities are vacated • New buildings present opportunity to achieve greater cost effectiveness than baseline or BPO 10, although at the Stage 1 analysis level this is not yet indicated • Low implementation risk related to continuity of care through new construction on currently unoccupied land	• Significantly higher capital expenditure due to more new construction	• Potentially more cost effective than the baseline and BPO 10 due to potential operating cost efficiencies and cost avoidance opportunities. • Low implementation risk related to continuity of care by building on currently unoccupied land and mostly vacant buildings
BPO 8: At Castle Point, Construct All New Facilities South of Existing Buildings	• Potentially significantly higher cost avoidance opportunity as maintenance to almost all existing buildings is avoided by moving all services into new facilities and all old facilities are vacated • New buildings present opportunity to achieve greater cost effectiveness than the baseline or BPO 10, although at the Stage 1 analysis level this is not yet indicated • Low implementation risk related to continuity of care through new construction on currently unoccupied land and mostly vacant buildings	• Significantly higher capital expenditure due to more new construction • Overall, less cost effective than BPOs 7 and 9 due to need to demolish occupied buildings before construction is started.	
BPO 9: At Castle Point, Construct All New Facilities on Western Campus Adjacent to River Road South	• Potentially significantly higher cost avoidance opportunity as maintenance to all existing buildings is avoided by moving all services into new facilities and all old facilities are vacated • New buildings present opportunity to achieve greater cost effectiveness than baseline or BPO 10, although at the Stage I analysis level, this is not yet indicated • Low implementation risk related to continuity of care through new construction on currently unoccupied land	• Significantly higher capital expenditure due to more new construction	

BPO	Pros	Cons	Rationale
BPO 11: At Montrose, Construct New Outpatient Building, Transfer Domiciliary to Castle Point, and Close Fire Station.	• Creates operating efficiencies by bringing together all inpatient and residential care together at one campus (Castle Point) • Allows for potentially highest re-use opportunities at Montrose (183 vs. 168 acres) • More cost avoidance opportunities by eliminating operating and ongoing capital costs associated with the Montrose Fire Station	• Higher capital expenditures than the baseline due to more new construction • Implementation risk associated with potential political issues surfacing from local acceptance and constituent management. Secretary's Decision noted that by retaining domiciliary services at Montrose, "VA will ensure continued access to care…for a patient population that comes primarily from the New York metropolitan area". The local employee union opposes relocation of any services from Montrose to Castle Point.	• Highly likely to be more cost effective than the baseline due to operating cost efficiencies, cost avoidance opportunities, and re-use opportunities
BPOs Not Recommended by Team PwC for Further Study			
BPO 3: At Montrose, Construct New Domiciliary and Ambulatory Care Facility East of Fire Station (North Campus)	• Significantly more cost avoidance opportunity due to elimination of maintenance costs for Buildings 16, 17, 18 and 24 through demolition and vacating all other clinical buildings • Slightly higher re-use proceeds potential (175 vs, 168 acres)	• More capital expenditure required due to new construction and demolition • High implementation risk related to new construction on currently used site, which would negatively affect continuity of care at Montrose	• High implementation risk related to some new construction on currently used site, which would negatively affect continuity of care at Montrose • Higher implementation risk without additional benefits in implementation speed, re-use potential, or modernity, safety, and security of future environment of care
BPO 4: At Montrose, Construct New Domiciliary and Ambulatory Care Facility South of Fire Station (Site of Buildings 13 and 14)	• Significantly more cost avoidance opportunity due to elimination of maintenance costs for Buildings 13 and 14 through demolition and vacating all other clinical buildings • Slightly higher re-use proceeds potential (180 vs, 168 acres)	• More capital expenditure required due to new construction and demolition • High implementation risk related to new construction on currently used site, which would negatively affect continuity of care at Montrose	
BPO 5: At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility North of Fire Station	• Significantly more cost avoidance opportunity due to elimination of maintenance costs for Building 52 through demolition, and complete vacating of all other clinical buildings • Slightly higher re-use proceeds potential (169 vs, 168 acres)	• More capital expenditure required due to new construction and demolition • High implementation risk related to some new construction on currently used site, which would negatively affect continuity of care at Montrose	

BPO	Pros	Cons	Rationale
BPO 6: At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility at Campus Entrance	• Low implementation risk related to continuity of care during relocation of services • More cost avoidance opportunity due to complete vacating of all other clinical buildings • Slightly higher re-use proceeds potential (170 vs, 168 acres)	• More capital expenditure required due to new construction	• Higher implementation risk given potential inadequacy of land to accommodate facilities and adjacent parking for ambulatory and outpatient care along Route 9
BPO 10: At Castle Point, Renovate and Build New Nursing Home on Northeastern Campus	• Potentially higher cost avoidance opportunity as maintenance to about half of existing buildings may be avoided by moving some services into new facilities before demolishing and vacating some old facilities	• Significantly higher capital expenditure due to extensive demolition and more new construction • High implementation risk related to highly complex implementation schedule and new construction on currently used site, which would negatively affect continuity of care at Castle Point	• BPOs 7, 8, and 9 offer same benefits as BPO 10 with lower implementation risk and capital expenditure

Appendix A - Assessment Tables

BPO 1: Baseline

Assessment of Baseline	Description of Impact
Healthcare Quality	
Ensures forecast healthcare need is appropriately met	**Montrose:** There will be no material differences in the accommodation of projected demand. Demand is not expected to exceed site capacity for domiciliary and outpatient care and will be accommodated on-site through the projection period. The facility is sized to meet the projected patient demand volumes. **Castle Point:** There will be no material differences in the accommodation of projected demand. Demand is not expected to exceed site capacity for inpatient, nursing home, and outpatient care and will be accommodated on-site through the projection period. The facility is sized to meet the projected patient demand volumes.
Modern, safe, and secure environment	**Montrose:** Conditions of buildings on the Montrose campus vary. The buildings have ratings between 1 and 5 for critical values such as accessibility, code, functional space, and facility conditions. The baseline improves site safety by renovating buildings on the north side of the campus for ambulatory and domiciliary care and bringing buildings up to code. **Castle Point:** Conditions of buildings on the Castle Point campus vary. The buildings have ratings between 3 and 5 for critical values such as accessibility, code, functional space, and facility conditions. The baseline improves site safety by renovating existing buildings containing inpatient, outpatient, and nursing home services and constructing new facilities to house patients transferred from Montrose.
Use of VA Resources	
Operating cost effectiveness	**Montrose:** 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. **Castle Point:** 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 expenditures estimated	**Montrose:** Significant capital expenditure is required to renovate and upgrade facilities to modern, safe, and secure standards, even though most buildings on campus are no longer in use. **Castle Point:** Significant capital expenditure is required to renovate and upgrade facilities to modern, safe, and secure standards and accommodate increased number of inpatients.

Assessment of Baseline	Description of Impact
Level of re-use proceeds	**Montrose:** Parcels 1, 2, 3 (75%), 4 (75%), 5, 6, and 7 on the Montrose campus are available for re-use with varying degrees of re-use potential. Veterans continue to receive outpatient care in renovated Buildings 12, 13, and 14, and domiciliary care is provided in renovated Buildings 28 and 52, while four other buildings are retained to provide support services, including fire protection. The re-use of some of these parcels is inhibited by topography, environment, zoning, or buildings that VA has designated as historical. Some of the buildings are in good condition and could be readily re-used. Several re-use parcels could be very attractive to a variety of non-VA entities, as evidenced by the proposal to locate senior housing on the campus.
Cost avoidance opportunities	**Montrose:** In the baseline, it is assumed that the $38 million identified in the CAI database for facility improvements would be expended, but recurring maintenance costs for some vacated buildings (Buildings1-6, 34, 45, 46 and 48) are eliminated. **Castle Point:** Since the total square footage at Castle Point will increase to accommodate patients transferred from Montrose, there are no cost avoidance opportunities.
Overall cost effectiveness	Not applicable for the baseline.
Ease of Implementation	
Ease of BPO implementation	**Montrose:** The baseline BPO presents implementation risk in terms of the following major risk areas: ▪ Continuity of Care: Renovation may affect ability to provide uninterrupted care ▪ Organization & Change: Although the two VAMCs are only 25 miles apart, it is conceivable that some staff who provide care to psychiatry and nursing home patients at Montrose may leave VA employment rather than accept reassignment to Castle Point ▪ Security: Renovation may not be able to conform the buildings to all code requirements given physical constraints of the buildings **Castle Point:** The baseline BPO presents implementation risk in terms of the following major risk areas: ▪ Continuity of Care: Renovation may affect ability to provide uninterrupted care ▪ Security: Renovation may not be able to conform the buildings to all code requirements given the physical constraints of the buildings
Ability to Support VA Programs	
DoD sharing	No DoD sharing arrangements are expected in the baseline.
One-VA Integration	**Montrose:** The baseline environment furthers One-VA integration by making 20 acres available to the National Cemetery Administration for a columbarium.
Special Considerations	No special considerations noted.
Overall Attractiveness	Not applicable for the baseline.

BPO 2: At Montrose, Construct New Domiciliary and Ambulatory Care Facility West of Fire Station (North Campus)

Assessment of BPO 2	Impact on Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↔	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	↑	New construction improves site safety by improving compliance with modern, safe, and secure standards.
Use of VA Resources		
Operating cost effectiveness	—	Results in potentially the same operating costs as the baseline. New ambulatory care and domiciliary buildings will have marginally better operating costs compared to the baseline.
Level of capital expenditures estimated	↓↓	New construction requires a significant investment (121% to 199%) compared to the baseline.
Level of re-use proceeds	↑↑	Additional re-use potential (1-2 times the baseline) is afforded by making Parcels 1, 2, 3, 4 (50%) 5, 6, and 7 available for re-use. All Montrose BPOs fall within a range of 169-180 acres available.
Cost avoidance opportunities	↑↑↑↑	Very significant cost avoidance results from new buildings that are not reliant on the central steam system and its projected high maintenance cost.
Overall cost effectiveness	—	The cost of new construction in this BPO is higher than the renovation cost in the baseline, but re-use proceeds and cost avoidance would also be significantly higher. Operating costs are similar to the baseline. Thus, this BPO results in a similar level of net present cost as the baseline.
Ease of Implementation		
Ease of BPO implementation	↑	This BPO presents lower implementation risk compared to the baseline in terms of continuity of care since new construction presents a much lower risk of disrupting continuity of care compared to renovations required in the baseline.
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.

Assessment of BPO 2	Impact on Baseline	Description of Impact
One-VA Integration	↔	No material impact is expected that would affect One-VA integration since this BPO would have no effect on NCA's desired columbarium. The BPO neither precludes nor enhances future, potential VBA or NCA relationships.
Special Considerations	↔	No material impact is expected in terms of special considerations since the BPO 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 highly likely to offer a solution that improves quality for a similar net present cost as the baseline.

BPO 3: At Montrose, Construct New Domiciliary and Ambulatory Care Facility East of Fire Station (North Campus)

Assessment of BPO 3	Impact on Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↔	The facility is sized to meet projected demand.
Modern, safe, and secure environment	↑	New construction improves site safety by improving compliance with modern, safe, and secure standards.
Use of VA Resources		
Operating cost effectiveness	—	Results in potentially the same operating costs as the baseline. New ambulatory care and domiciliary buildings will have marginally better operating costs compared to the baseline.
Level of capital expenditures estimated	↓↓	New construction requires a significant investment (121% to 199%) relative to the baseline.
Level of re-use proceeds	↑	Additional re-use potential (+/- 20% of baseline) is afforded by making Parcels 1, 2, 3 (85%), 4 (75%), 5, 6, and 7 available for re-use. All Montrose BPOs fall within a range of 169-180 acres available.
Cost avoidance opportunities	↑↑↑↑	Very significant cost avoidance results from new buildings that are not reliant on the central steam system and its projected high maintenance cost.
Overall cost effectiveness	—	The cost of new construction in this BPO is higher than the renovation cost in the baseline, but re-use proceeds and cost avoidance would also be significantly higher. Operating costs are similar to the baseline. Thus, this BPO results in a similar level of net present cost as the baseline.
Ease of Implementation		
Ease of BPO implementation	↓	This BPO presents additional implementation risk compared to the baseline in terms of continuity of care since new construction and demolition of currently occupied buildings may disrupt patient care.
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 this BPO would have no effect on NCA's desired columbarium. The BPO neither precludes nor enhances future, potential VBA or NCA relationships.

Assessment of BPO 3	Impact on Baseline	Description of Impact
Special Considerations	↔	No special considerations noted.
Overall Attractiveness	↑↑	BPO 3 is attractive compared to the baseline. This BPO is likely to offer a solution that improves quality for a similar net present cost as the baseline.

BPO 4: At Montrose, Construct New Domiciliary and Ambulatory Care Facility South of Fire Station (Site of Buildings 13 and 14)

Assessment of BPO 4	Impact on Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↔	Facility is sized to meet projected demand.
Modern, safe, and secure environment	↑	New construction improves site safety by improving compliance with modern, safe, and secure standards.
Use of VA Resources		
Operating cost effectiveness	—	Results in potentially the same operating costs as the baseline. New ambulatory care and domiciliary buildings will have marginally better operating costs compared to the baseline.
Level of capital expenditures estimated	↓↓	New construction requires a significant investment (121% to 199%) relative to the baseline.
Level of re-use proceeds	↑	Additional re-use potential (+/- 20% of baseline) is afforded by making Parcels 1, 2, 3 (80%), 4, 5, 6, and 7 available for re-use. All Montrose BPOs fall within a range of 169-180 acres available.
Cost avoidance opportunities	↑↑↑↑	Very significant cost avoidance results from new buildings that are not reliant on the central steam system and its projected high maintenance cost.
Overall cost effectiveness	—	The cost of new construction in this BPO is higher than the renovation cost in the baseline, but re-use proceeds and cost avoidance would also be significantly higher. Operating costs are similar to the baseline. Thus, this BPO results in a similar level of net present cost as the baseline.
Ease of Implementation		
Ease of BPO implementation	↓	This BPO presents additional implementation risk compared to the baseline in terms of continuity of care since new construction and demolition of currently occupied buildings may disrupt patient care.
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 this BPO would have no effect on NCA's desired columbarium. The BPO neither precludes nor enhances future, potential VBA or NCA relationships.

Assessment of BPO 4	Impact on Baseline	Description of Impact
Special Considerations	↔	No special considerations are noted.
Overall Attractiveness	↑↑	BPO 4 is attractive compared to the baseline. This BPO is likely to offer a solution that improves quality for a similar net present cost as the baseline.

BPO 5: At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility North of Fire Station

Assessment of BPO 5	Impact on Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↔	Facility is sized to meet projected demand.
Modern, safe, and secure environment	↑	New construction improves site safety by improving compliance with modern, safe, and secure standards.
Use of VA Resources		
Operating cost effectiveness	—	Results in potentially the same operating costs as the baseline. New ambulatory care and domiciliary buildings will have marginally better operating costs compared to the baseline.
Level of capital expenditures estimated	↓↓	New construction requires a significant investment (121% to 199%) relative to the baseline.
Level of re-use proceeds	↑	Additional re-use potential (+/- 20% of baseline) is afforded by making Parcels 1, 2, 3 (90%), 4 (50%), 5, 6, and 7 available for re-use. All Montrose BPOs fall within a range of 169-180 acres available.
Cost avoidance opportunities	↑↑↑↑	Very significant cost avoidance results from new buildings that are not reliant on the central steam system and its projected high maintenance cost.
Overall cost effectiveness	—	The cost of new construction in this BPO is higher than the renovation cost in the baseline, but re-use proceeds and cost avoidance would also be significantly higher. Operating costs are similar to the baseline. Thus, this BPO results in a similar level of net present cost as the baseline.
Ease of Implementation		
Ease of BPO implementation	↓	This BPO presents additional implementation risk compared to the baseline in terms of continuity of care since new construction and demolition of currently occupied buildings may disrupt patient care.
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 this BPO would have no effect on NCA's desired columbarium. The BPO neither precludes nor enhances future, potential VBA or NCA relationships.

Assessment of BPO 5	Impact on Baseline	Description of Impact
Special Considerations	↔	No special considerations are noted.
Overall Attractiveness	↑↑	BPO 5 is attractive compared to the baseline. This BPO is likely to offer a solution that improves quality for a similar net present cost as the baseline.

BPO 6: At Montrose, Construct New Domiciliary on Northwest Campus, New Ambulatory Care Facility at Campus Entrance

Assessment of BPO 6	Impact on Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↔	Facility is sized to meet projected demand.
Modern, safe, and secure environment	↑	New construction improves site safety by improving compliance with modern, safe, and secure standards.
Use of VA Resources		
Operating cost effectiveness	—	Results in potentially the same operating costs as the baseline. New ambulatory care and domiciliary buildings will have marginally better operating costs compared to the baseline.
Level of capital expenditures estimated	↓↓	New construction requires a significant investment (121% to 199%) relative to the baseline.
Level of re-use proceeds	↑	Additional re-use potential (+/- 20% of baseline) is afforded by making Parcels 2, 3, 4 (50%), 5, 6, and 7 available for re-use. All Montrose BPOs fall within a range of 169-180 acres available.
Cost avoidance opportunities	↑↑↑↑	Very significant cost avoidance results from new buildings that are not reliant on the central steam system and its projected high maintenance cost.
Overall cost effectiveness	—	The cost of new construction in this BPO is higher than the renovation cost in the baseline, but re-use proceeds and cost avoidance would also be significantly higher. Operating costs are similar to the baseline. Thus, this BPO results in a similar level of net present cost as the baseline.
Ease of Implementation		
Ease of BPO implementation	↔	This BPO presents no additional implementation risk compared to the baseline in terms of continuity of care since new construction does not require demolition of any currently occupied buildings.
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 this BPO would have no effect on NCA's desired columbarium. The BPO neither precludes nor enhances future, potential VBA or NCA relationships.
Special Considerations	↔	No special considerations are noted.

Assessment of BPO 6	Impact on Baseline	Description of Impact
Overall Attractiveness	—	BPO 6 improves quality but at a cost that makes it no more attractive than the baseline overall. However, there is a possibility that further refinement in Stage II would result in a neutral or even positive cost assessment.

BPO 7: At Castle Point, Construct All New Facilities West of Existing Buildings

Assessment of BPO 7	Impact on Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↔	The facility is sized to meet projected demand.
Modern, safe, and secure environment	↑	New construction improves site safety by increasing compliance with modern, safe, and secure standards. New construction provides physical layouts and unit sizes that reflect modern healthcare practice.
Use of VA Resources		
Operating cost effectiveness	—	Results in potentially the same operating costs as the baseline. Staffing efficiencies may be achieved for the new inpatient, nursing home, and outpatient facilities, although at the Stage I analysis level, this is not yet indicated.
Level of capital expenditures estimated	↓↓	A new facility of approximately 564,000 square feet to house all patient services requires a significant investment (121% to 199%) relative to the baseline.
Level of re-use proceeds	N/A	Re-use opportunities at the Castle Point campus were not studied.
Cost avoidance opportunities	↑↑	Significant cost avoidance results from new buildings that have a lower projected maintenance cost.
Overall cost effectiveness	↓↓	This BPO requires a significant level of capital expenditure compared to the baseline, and this cost is not offset by the cost avoidance which it would generate. Thus, this BPO's net present cost is significantly higher than the baseline.
Ease of Implementation		
Ease of BPO implementation	↑	This BPO presents lower implementation risk compared to the baseline since new construction presents a much lower risk of disrupting continuity of care compared to renovations required in the baseline.
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.

Assessment of BPO 7	Impact on Baseline	Description of Impact
Special Considerations	↔	No special considerations are noted.
Overall Attractiveness	—	BPO 7 improves quality but at a cost that makes it no more attractive than the baseline overall. However, there is a possibility that further refinement in Stage II would result in a neutral or even positive cost assessment.

BPO 8: At Castle Point, Construct All New Facilities South of Existing Buildings

Assessment of BPO 8	Impact on Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↔	The facility is sized to meet projected demand.
Modern, safe, and secure environment	↑	New construction improves site safety by increasing compliance with modern, safe, and secure standards. New construction provides physical layouts and unit sizes that reflect modern healthcare practice.
Use of VA Resources		
Operating cost effectiveness	—	Results in potentially the same operating costs as the baseline. Staffing efficiencies may be achieved for the new inpatient, nursing home, and outpatient facilities, although at the Stage I analysis level, this is not yet indicated.
Level of capital expenditures estimated	↓↓	A new facility of approximately 564,000 square feet to house all patient services requires a significant investment (121% to 199%) relative to the baseline.
Level of re-use proceeds	N/A	Re-use opportunities at the Castle Point campus were not studied.
Cost avoidance opportunities	↑↑	Significant cost avoidance results from new buildings that have lower projected maintenance cost.
Overall cost effectiveness	↓↓	This BPO requires a significant level of capital expenditure compared to the baseline, and this cost is not offset by the cost avoidance which it would generate. Thus, this BPO's net present cost is significantly higher than the baseline.
Ease of Implementation		
Ease of BPO implementation	↑	This BPO presents lower implementation risk compared to the baseline since new construction presents a much lower risk of disrupting continuity of care compared to renovations required in the baseline.
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.

Assessment of BPO 8	Impact on Baseline	Description of Impact
Special Considerations	↔	No special considerations are noted.
Overall Attractiveness	—	BPO 8 improves quality but at a cost that makes it no more attractive than the baseline overall. However, there is a possibility that further refinement in Stage II would result in a neutral or even positive cost assessment.

BPO 9: At Castle Point, Construct All New Facilities on Western Campus Adjacent to River Road South

Assessment of BPO 9	Impact on Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↔	The facility is sized to meet projected demand.
Modern, safe, and secure environment	↑	New construction improves site safety by increasing compliance with modern, safe, and secure standards. New construction provides physical layouts and unit sizes that reflect modern healthcare practice.
Use of VA Resources		
Operating cost effectiveness	—	Results in potentially the same operating costs as the baseline. Staffing efficiencies may be achieved for the new inpatient, nursing home, and outpatient facilities, although at the Stage I analysis level, this is not yet indicated.
Level of capital expenditures estimated	↓↓	A new facility of approximately 564,000 square feet to house all patient services requires a significant investment (121% to 199%) relative to the baseline.
Level of re-use proceeds	N/A	Re-use opportunities at the Castle Point campus were not studied.
Cost avoidance opportunities	↑↑	Significant cost avoidance results from new buildings that have a lower projected maintenance cost.
Overall cost effectiveness	↓↓	This BPO requires a significant level of capital expenditure compared to the baseline, and this cost is not offset by the cost avoidance which it would generate. Thus, this BPO's net present cost is significantly higher than the baseline.
Ease of Implementation		
Ease of BPO implementation	↑	This BPO presents lower implementation risk compared to the baseline since new construction presents a much lower risk of disrupting continuity of care compared to renovations required in the baseline.
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,

Assessment of BPO 9	Impact on Baseline	Description of Impact
		potential VBA or NCA relationships.
Special Considerations	↔	No special considerations are noted.
Overall Attractiveness	—	BPO 9 improves quality but at a cost that makes it overall no more attractive than the baseline. However, there is a possibility that further refinement in Stage II would result in a neutral or even positive cost assessment.

BPO 10: At Castle Point, Renovate and Build New Nursing Home on Northeastern Campus

Assessment of BPO 10	Impact on Baseline	Description of Impact
Healthcare Quality		
Ensures forecast healthcare need is appropriately met	↔	The facility is sized to meet projected demand.
Modern, safe, and secure environment	↑	Renovation and construction improves site safety by increasing compliance with modern, safe, and secure standards. New construction provides physical layouts and unit sizes that reflect modern healthcare practice.
Use of VA Resources		
Operating cost effectiveness	—	Results in potentially the same operating costs as the baseline. Staffing efficiencies may be achieved for the new inpatient, nursing home, and outpatient facilities, although at the Stage I analysis level, this is not yet indicated.
Level of capital expenditures estimated	↓↓	Renovation of approximately 300,000 square feet and new construction of approximately 183,000 square feet to house all patient services requires a significant investment (121% to 199%) relative to the baseline.
Level of re-use proceeds	N/A	Re-use opportunities at Castle Point campus were not studied.
Cost avoidance opportunities	↑↑	Significant cost avoidance results from new or renovated buildings that have lower projected maintenance cost.
Overall cost effectiveness	↓	This BPO requires a significant level of capital expenditure compared to the baseline, and this cost is not offset by the cost avoidance which it would generate. Thus, this option's net present cost is higher than the baseline, although it is somewhat lower than BPOs 7-9.
Ease of Implementation		
Ease of BPO implementation	↓	This BPO presents higher implementation risk compared to the baseline, since it requires demolition of three nursing home buildings currently in use and extensive renovation of existing inpatient and outpatient buildings.
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.

Assessment of BPO 10	Impact on Baseline	Description of Impact
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 special considerations are noted.
Overall Attractiveness	↓↓	BPO 10 is less attractive than the baseline. It involves higher capital costs and higher implementation risks without offering any significant improvement to operating cost.

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)