

2. SUPPLY OF HEALTHCARE SERVICES IN THE GREAT LAKES HEALTH CARE SYSTEM (VISN 12)

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This chapter provides a profile of current healthcare services to veterans in the VA Great Lakes Health Care System. It describes the veteran patient population, supply of VA healthcare services in VISN 12, a baseline of current VA infrastructure, and an analysis of Department of Defense (DoD) and community capacity.

2.1 VISN 12, THE VA GREAT LAKES HEALTH CARE SYSTEM, CURRENTLY OPERATES 37 SEPARATE SERVICE DELIVERY SITES SERVING VETERANS IN 96 COUNTIES IN 5 STATES COVERING 71,330 SQUARE MILES.

VISN 12 comprises eight Veterans Affairs Medical Centers (VAMC) that, together with the network of community-based outpatient clinics (CBOC) provide the continuum of care to veterans. Map 3. Enrolled Veteran Population FY2000, shows veteran enrollee population for the FY 2000. These facilities are shown on Map 4. Current Facilities and Catchment Areas.

2.2 VA Supply of Healthcare Services

2.2.1 Facility-Level Service Overview

The following is an overview of the services and missions provided at the eight VISN 12 medical centers. Bed capacity data, as reported in the VA Space and Functional Database, measures the current capacity of the physical plant to support inpatient, extended, and rehabilitative service. It must be noted that the capacity of the physical plant changes as the existing facilities are renovated to an upgraded and compliant environment of care. The issues concerning the function and condition of the

eight medical centers is contained in the site plans for the VISN 12 facilities included at the end of this chapter. Lastly, this bed data is different from authorized beds, which are customarily reported on the Gains and Losses (G&L) Report. For reference, the G&L data can be found in Appendix O.

The Veterans Affairs Chicago Health Care System (VACHCS) comprises two medical center facilities: Lakeside and West Side.

Veterans Affairs Chicago Health Care System (VACHCS)—Chicago Lakeside

The VACHCS—Chicago Lakeside VAMC is located on a 4-acre campus in downtown Chicago, Illinois, and is physically connected to Northwestern Memorial Hospital. According to the VA Space and Functional Database, Lakeside currently has total bed capacity of 138 beds. Acute capacity bed is 138, including 55 medical-neurological-rehabilitation, 17 surgical, 36 intermediate, 4 medical intensive care unit (MICU), 8 coronary care unit (CCU), 3 surgical intensive care unit (SICU), and 15 23-hour observation.

Lakeside had 188,364 ambulatory encounters at the medical center in FY 2000. It is affiliated with the Northwestern University School of Medicine and funded 97 of Northwestern's 658 residents in FY 2000. It also has training programs in dental, nursing and allied health, training a total of 472 students with West Side VAMC.

Veterans Affairs Chicago Health Care System (VACHCS)—Chicago West Side

West Side VAMC is located on a 13-acre campus in the west-end of Chicago. According to the VA Space and Functional Database, West Side currently has total bed capacity of 242 beds. The acute bed capacity is 204, which includes 66 medical-neurological-rehabilitation, 16 surgical, 30 intermediate, 61 mental health, 4 MICU, 4 CCU, 8 SICU, and 15 23-hour observation. In addition to these acute beds, there are 20 residential rehabilitation beds and 18 hoptel beds.

West Side had 493,749 ambulatory care encounters at the medical center in FY 2000. The West Side VAMC is affiliated with the University of Illinois Chicago College of Medicine, funding 132 of the university's 556 residents.

Edward Hines, Jr. Veterans Affairs Hospital

The Edward Hines, Jr. Hospital is located on a 142-acre campus in Hines, Illinois, and is the largest medical center in VISN 12. According to the VA Space and Functional Database, Hines currently has total bed capacity of 670 beds. The acute bed capacity is 226, which includes 72 medical-neurological-rehabilitation, 32 surgical, 29 intermediate, 44 mental health, 14 MICU, 6 CCU, 9 SICU and 20 23-hour observation. Special Disability Program beds include 68 acute Spinal Care Injury (SCI) beds, 40 SCI residential care facility (RCF) beds (although legislative capacity levels require 30) and 30 blind rehabilitation beds (although the G&L report identifies 34 operating beds). In addition, there are 210 nursing home care beds, 80 residential rehabilitation beds and 16 hoptel beds.

Hines had 550,135 ambulatory encounters at the medical center in FY 2000. It is affiliated with the Loyola University Stritch School of Medicine, funding 168 of Loyola's 448 residents. It also has training programs in nursing and allied health, training a total of 569 students.

Veterans Affairs Medical Center—North Chicago

The North Chicago VAMC is located on a 226-acre campus in the community of North Chicago, Illinois. According to the VA Space and Functional Database, North Chicago currently has total bed capacity of 574 beds. The acute bed capacity is 154, which includes 7 medical-neurological-rehabilitation, 8 intermediate, 125 mental health, 10 MICU, and 4 23-hour observation. In addition, there are 194 nursing home care beds, 26 residential rehabilitation beds, 186 domiciliary beds 10 hospice and 4 hoptel beds.

North Chicago conducted 355,063 ambulatory encounters at the medical center in FY 2000. It is affiliated with Chicago Medical School, Finch University of Health Science, funding 52 of the university's 143 residents. It also has training programs in nursing and allied health, training a total of 177 students.

Clement J. Zablocki Veterans Affairs Medical Center

The Clement J. Zablocki VAMC, or the Milwaukee VAMC as it is more commonly known, is located on a 198-acre campus off interstate highway 94 in Milwaukee, Wisconsin. According to the VA Space and Functional Database, Milwaukee currently has total bed capacity of 702 beds. The acute bed capacity is 154, which includes 50 medical-neurological-rehabilitation, 23 surgical, 27 intermediate, 22 mental health, 4 MICU, 4 CCU, 8 SICU, and 16 23-hour observation. Special Disability Program beds include 38 acute SCI beds. In addition, there are 127 nursing home care beds, 356 domiciliary beds, and 27 hoptel beds.

Milwaukee conducted 567,593 ambulatory encounters at the medical center in FY 2000. It is affiliated with the Medical College of Wisconsin, funding 124 of the university's 618 residents. It also has training programs in dental, nursing, and allied health, training a total of 273 students.

William S. Middleton Memorial Veterans Affairs Hospital

The William S. Middleton Memorial VAMC, or Madison VAMC, is located on a 19-acre campus in Madison, Wisconsin, adjacent to the University of Wisconsin. According to the VA Space and Functional Database, Madison currently has total bed capacity of 173 beds. The acute bed capacity is 100, which includes 30 medical-neurological-rehabilitation, 17 surgical, 14 intermediate, 14 mental health, 2 MICU, 6 CCU, 4 SICU, and 13 23-hour observation. In addition, there are 12 residential rehabilitation beds and 61 hoptel beds.

Madison conducted 339,250 ambulatory encounters at the medical center in FY 2000. It is affiliated with University of Wisconsin Medical School, Madison, funding 86 of the school's 618 residents. It also has training programs in nursing and allied health, training a total of 215 students.

Veterans Affairs Medical Center—Tomah

The Tomah VAMC is located on a 166-acre campus in Tomah, Wisconsin. According to the VA Space and Functional Database, Tomah currently has total bed capacity of 336 beds. The acute bed capacity is 91, which includes 13 medical-neurological-rehabilitation, 76 mental health, and 2 23-hour observation. In addition, there are 200 nursing home care beds and 45 residential rehabilitation beds.

Tomah conducted 165,392 ambulatory encounters at the medical center in FY 2000. It has no educational affiliation. It does have training programs in nursing and allied health, training a total of 126 students. It has a Department of Defense (DoD) sharing agreement to provide primary care to the staff at Fort McCoy.

Veterans Affairs Medical Center—Iron Mountain

Iron Mountain VAMC is located on a 28-acre campus in Iron Mountain, Michigan, and is the smallest medical center in VISN 12. According to the VA Space and Functional Database, Iron Mountain currently has total bed capacity of 96 beds. The acute bed capacity is 22, which includes 11 medical-neurological-rehabilitation, 1 surgical, 4 MICU, 1 SICU, and 5 23-hour observation. In addition, there are 40 nursing home care beds, 12 residential rehabilitation beds, and 22 hoptel beds.

Iron Mountain conducted 177,422 ambulatory encounters at the medical center in FY 2000. It has no educational affiliation. It has training programs in nursing and allied health, training a total of 25 students.

2.2.2 Ambulatory care is provided through a network of 8 medical centers and 29 community-based outpatient clinics.

Ambulatory care can be accessed in several ways. Primary care is usually the entry point into the system and is provided by hospital-based primary care clinics and through the 29 CBOCs assigned to a parent VAMC. Specialty and subspecialty ambulatory care is usually provided at the VAMCs, although the CBOCs do offer limited ambulatory specialty services. Exhibit 2-1 lists the ambulatory care sites, the services offered at each site, and the FY 2000 workload by service. In summary, the VISN has adequate capacity to meet the current demand. The leased CBOCs offer scalability to help meet any changes in demand.

Exhibit 2-1. FY 2000 Ambulatory Services and Workload by Facility

Access Point	Description	Primary Care Encounters	Mental Health Encounters	Medical Encounters	Surgical Encounters	Ancillary Workload	Total
Hines	Tertiary Hospital	69,606	136,751	77,221	55,671	210,886	550,135
Joliet	CBOC	6,224	0	1029	0	1642	8,895
Manteno	CBOC	1,444	172	128	0	560	2,304
Oak Park	CBOC	1,238	426	0	0	208	1,872
Aurora	CBOC	1,993	42	90	0	406	2,531
Elgin	CBOC	1,346	46	53	0	457	1,902
La Salle	CBOC	3,743	64	0	0	637	4,444
West Side	Tertiary Hospital	63,558	202,946	28,408	60,424	138,413	493,749
Lakeside	Tertiary Hospital	51,961	8,042	28,384	23,595	76,382	188,364

Access Point	Description	Primary Care Encounters	Mental Health Encounters	Medical Encounters	Surgical Encounters	Ancillary Workload	Total
Crown Pt	CBOC	24,239	8,525	2,055	7,154	43,218	85,191
Chicago Heights	CBOC	2,062	90	33	0	3,492	5,677
Woodlawn	CBOC	2,323	0	0	14	174	2,511
North Chicago	Community Hospital	66,017	82,511	34,598	25,241	146,696	355,063
Evanston	CBOC	2,722	0	0	0	0	2,722
Gurnee	CBOC	404	0	0	1	0	405
McHenry	CBOC	3,186	131	0	0	0	3,317
Milwaukee	Tertiary Hospital	86,797	108,596	40,538	60,171	271,491	567,593
Appleton	CBOC	19,906	6,998	1,188	2,154	32,176	62,422
Union Grove	CBOC	4,769	875	0	0	396	6,040
Cleveland	CBOC	709	131	0	0	34	874
Madison	Tertiary Hospital	66,530	36,410	36,822	32,851	166,637	339,250
Rockford	CBOC	8,435	2,475	394	1,277	5,247	17,828
Edgerton	CBOC	1,789	0	0	0	0	1,789
Baraboo	CBOC	431	0	0	0	37	468
Beaver Dam	CBOC	617	0	0	0	29	646
Tomah	Community Hospital	31,033	57,768	2,646	4,919	69,026	165,392
Chippewa	CBOC	197	577	0	0	90	864
Loyal	CBOC	780	0	0	0	26	806
Wausau	CBOC	3,308	356	0	0	768	4,432
La Crosse	CBOC	1,044	101	0	0	0	1,145
Iron Mountain	Community Hospital	42,859	21,254	4,276	12,310	96,723	177,422
Marquette	CBOC	2,937	424	0	0	1,112	4,473
Menominee	CBOC	2,728	97	0	0	98	2,923
Rhineland	CBOC	2,684	275	0	0	764	3,723
Hancock	CBOC	2,060	377	0	0	331	2,768
Sault Ste. Marie	CBOC	1,266	138	0	150	293	1,847
Ironwood	CBOC	1,687	255	0	0	2	1,944
TOTAL		584,632	676,853	257,863	285,932	1,268,451	3,073,731

2.2.3 Additional capacity is gained through the contracting for care.

In addition to providing direct care, the VISN contracts with the community, the State Veterans Homes, and the affiliates for additional care. The VISN contracted for 580,407 BDOCs in FY 2000, of which 531,475 were for nursing home days of care. It also contracted for 53,441 clinic stops. The dollars spent on these programs are included in the direct medical care costs.

2.2.4 VISN 12 workload supports a vital research mission.

The VISN has a very active research program that not only benefits veterans but also adds to the science of medicine and healthcare in general. The VISN had expenditures of more than \$42 million for research as shown in Exhibit 2-2.

Exhibit 2-2. VISN 12 Research Expenditures—FY 2000

Medical Center	VA-Funded	Extra VA	Total Research
VACHCS – Chicago	\$5,915,453	\$4,579,634	\$10,495,087
Hines	\$9,306,344	\$4,771,877	\$14,078,221
Milwaukee	\$3,809,932	\$4,266,653	\$6,350,388
Madison	\$2,083,735	\$7,974,008	\$11,783,940
Total	\$21,115,464	\$21,592,172	\$42,707,636

2.2.5 VA affiliations with medical schools improve the quality of healthcare for veterans and assist with recruitment and retention of high-quality physician staff.

VA plays a significant role in the education of future health professionals in all disciplines. VA's decisions on healthcare delivery and decisions on its participation in the education of healthcare professionals are important to the larger academic community. VISN 12 currently has six affiliations that expand the education and research capabilities of the VAMCs. Exhibit 2-3 was developed to show the baseline, academic year 2000–2001 residency data, by VAMC and its affiliate. The table lists the most common specialties funded by the VA. The last column shows the total number of VA and non-VA residents for the affiliate. The data was obtained from VA Headquarters with verification and amendments supplied by each VAMC.

Exhibit 2-3. VA-Funded Residents in the Great Lakes Health Care System

Facility/Affiliation	VA-Funded Residents (FTE) – Great Lakes Health Care System*										Total Affiliate VA & Non-VA Residents
	Medicine	Surgery	Psychiatry	Neurology	Pathology	Rehabilitative Medicine	Radiology	Anesthesiology	Fellowship	Total VA -Funded	
North Chicago VAMC Finch University of Health Science/ Chicago Medical School	24	0	18	0	0	0	0	0	10	52	143
Lakeside VAMC Northwestern University School of Medicine	48	21	0	4	2	3	3	4	12	97	658
West Side VAMC University of Illinois Chicago School of Medicine	58	23	12	3	4	1	3	6	22	132	556
Hines VAMC Loyola University Stritch School of Medicine	59	38	13	7	5	7	1	1	36	167	448
Milwaukee VAMC Medical College of Wisconsin	41	32	6	2	2	7	4	10	20	124	618
Madison VAMC University of Wisconsin School of Medicine	34	17	4	3	3	0	3	0	23	86*	508
Tomah VAMC – no affiliations											
Iron Mountain VAMC – no affiliations											
TOTAL VA-Funded Residents (FTE)	264	131	53	19	16	18	14	21	123	658*	2931

* Rounded numbers.

2.2.6 VISN 12 also provides substantial employment opportunities for the community.

The eight VAMCs employed approximately 9,358 full-time equivalent (FTE) in FY 2000. This employment picture is shown in Exhibit 2-4.

Exhibit 2-4. Current VA Healthcare Employment Profile

	VISN 12 Employment (FTEs) in FY 2000*						
	Iron Mountain	Tomah	Milwaukee	Madison	North Chicago	VACHCS	Hines
Direct Medical Care	256.7	491.8	1,271.6	535.0	798.9	1,434.4	1,536.9
Medical Admin Support	43.5	84.6	150.2	69.3	84.7	214.3	133.9
Asset Administration	8.0	12.7	25.3	12.9	27.5	20.5	40.2
Healthcare Subtotal	308.2	589.1	1,447.1	617.2	911.1	1,669.2	1,711.0
Facility Opers & Maint.	55.3	117.9	223.1	107.2	172.7	295.9	332.3
VA-Unique Operations	7.3	9.1	147.6	89.1	115.3	110.9	321.8
VHA Total Employment	370.8	716.1	1,817.8	813.5	1,199.1	2,076.0	2,365.1

* Includes only VA employees at the VAMC, not contract employees.

Data Source(s): VA CDR Data; Booz-Allen & Hamilton Analysis

2.2.7 VISN 12 expended \$963 million, of which \$145.2 million was spent on facility operations and maintenance.

FY 2000 expenditures are segmented into five categories at each facility as shown in Exhibit 2-5. The detailed methodology and cost centers used to aggregate costs into these major categories are provided in the Cost Analysis section of this report.

Exhibit 2-5. VISN Expenditures—FY 2000

Domain Area	Direct Medical Costs	Medical Administration Support Costs	Facility Operations & Maintenance Costs	VA-unique Operations Cost	Non-recurring Acquisition Costs	Total Budget
Hines	\$157.7M	\$11.4M	\$35.5M	\$38.5M	\$3.7M	\$246.8M
VACHCS	\$152.1M	\$17.6M	\$32.2M	\$19.7M	\$2.9M	\$224.5M
North Chicago	\$72.6M	\$6.6M	\$23.3M	\$8.3M	\$2.1M	\$112.9M
Madison	\$73.4M	\$5.0M	\$11.8M	\$11.8M	\$1.2M	\$103.2M
Milwaukee	\$121.1M	\$10.5M	\$26.4M	\$18.3M	\$2.9M	\$179.2M
Tomah	\$37.4M	\$5.3M	\$10.3M	\$1.2M	\$0.9M	\$55.1M
Iron Mountain	\$30.4M	\$3.1M	\$5.8M	\$1.3M	\$0.8M	\$41.4M
VISN 12 Total	\$644.8M	\$59.5M	\$145.2M	\$99.1M	\$14.5M	\$963.1M

2.3 EXISTING FACILITY BASELINE

This section presents a baseline of the existing infrastructure, both owned and leased by the VA. In addition, it profiles the key impact areas of the service delivery options (SDO), including historic

buildings, collocated tenants, property valuation, current Enhanced Use leasing initiatives, and the current facility capital projects.

2.3.1 Medical Center Condition and Utilization

A baseline study of the current VISN 12 facility supply was conducted to lay the groundwork for the development of capital asset realignment plans for each SDO. A summary report by medical center campus, presenting the current condition and functional assessment for each facility is included at the end of this chapter.

2.3.2 Community-based outpatient clinics' footprint and annual rent.

As stated previously in this chapter, VISN 12 currently operates 29 CBOCs located throughout the network. These are identified, along with their total square footage and annual rent cost, in Exhibit 2-3. The seven CBOCs that have been added since the 1999 study by AMA Systems, Inc., and McGladrey & Pullen are identified with an asterisk. Furthermore, 12 CBOCs are in various stages of planning under consideration in VISN 12, identified in Exhibit 2-6 in *italics*. Through the evaluation of the Service Delivery Options, the viability of these locations will be addressed for further implementation consideration.

Exhibit 2-6. CBOC Inventory

PARENT FACILITY	CBOC LOCATIONS		
	EXISTING / PROPOSED	TOTAL SF	ANNUAL RENT
VA Chicago Health Care System, Chicago, IL Lakeside Division West Side Division	Chicago Heights, IL	1,164	\$ 18,402
	Crown Point, IN	43,600	\$451,200
	Woodlawn, IL	1,700	\$ 23,796
	<i>North Side</i>		
	<i>South Side</i>		
Hines VA Hospital , Hines IL	Aurora, IL	2,629	\$ 45,035
	Elgin, IL	3,400	\$ 73,100
	Joliet, IL	7,264	\$ 116,566
	LaSalle, IL	1,860	\$ 18,600
	Manteno, IL	Shared – IL Dept of Veterans Affairs	
	Oak Park, IL	5,296	\$ 92,500
	<i>DuPage Cty</i> <i>Oak Lawn</i>		
North Chicago VA Medical Center, North Chicago, IL	Evanston, IL	2,148	\$ 32,006
	Gurnee, IL	2,324	\$ 37,656
	McHenry, IL*	3,491	\$ 50,707
	<i>Kenosha</i>		
Milwaukee VA Hospital, Milwaukee, WI	Appleton, WI	38,612	\$456,541
	East Central (Cleveland, WI)*	3,798	\$ 66,818
	Union Grove, WI	4,136	\$ 12,400
	<i>Green Bay</i>		
	<i>Waukesha</i>		
Madison VA Medical Center, Madison, WI	Baraboo, WI*	1,300	\$ 17,875
	Beaver Dam, WI*	1,500	\$ 13,800
	Edgerton, WI*	Capitated	
	Rockford, IL	9,314	\$ 160,666
	<i>Freeport</i>		
	<i>Southwest WI</i>		

PARENT FACILITY	CBOC LOCATIONS		
	EXISTING / PROPOSED	TOTAL SF	ANNUAL RENT
Tomah VA Medical Center, Tomah, WI	Chippewa Falls, WI	Shared w/ VISN 13	0
	La Crosse, WI*	4,046	\$ 11,467
	Loyal, WI	3,040	\$ 24,492
	Wausau, WI	Capitated	0
	<i>WI Rapids</i>		
	<i>Price / Lincoln</i>		
Iron Mountain VA Medical Center, Iron Mountain, MI	Hancock, MI	17,708	\$ 1,035
	Ironwood, MI*	Capitated	N/A
	Marquette, MI	5,932	\$ 5,568
	Menominee, MI	1,350	\$ 18,387
	Rhineland, WI	1,024	\$ 16,800
	Sault Ste. Marie, MI	700	\$ 2,400
	<i>Delta Cty / Gladstone</i>		
	Total	146,663	\$1,884,130

Source: VHA VISN 12 Space and Functional Database, VISN 12 staff

2.3.3 Historic Buildings

VISN 12 owns many historic buildings on its eight campuses. The Booz:Allen CARES Team reviewed several data sources to discern the quantity of historic properties in the various categories of designation in the VISN. These sources include the VHA Space and Functional database, the Inventory of Historic and Cultural Resources report from the Historic Preservation Office within the Office of Facilities Management (OFM), the VA OFM Web page for historic preservation (<http://www.va.gov/facmgt/historic/summary.asp>) and the Historic Building Task Force VISN 12 White Paper, dated February 25, 1997. Each of these sources identified a different number of buildings on the historic registry. The following is an aggregation of these data, outlining the various historic facilities and issues in VISN 12.

Although there are 76 buildings identified as historic located on 4 of the 8 medical center campuses across VISN 12, there are only two buildings that are registered with the National Historic Preservation Trust. The two listed buildings are—

- War Memorial Theater (1881)—Milwaukee VAMC
- Dewey House (1914)—North Chicago VAMC.

It is important to note the historic implications of all of these buildings, because they not only represent the heritage of the VA but also may impose limitations on the ability to realign the capital asset inventory to meet the service delivery reconfiguration. These limitations can be recognized several ways, including physical constraints prohibiting the accommodation of modern medical equipment and service, space configurations not suitable for current standards for privacy and accessibility, capacity and configuration not easily reconfigured to meet either medical or non-medical work processes, and zoning and legislative barriers to destruction or disposal to build new facilities on the existing real property.

Exhibit 2-7 highlights the inventory of historic buildings in VISN 12. Listed buildings (identified in **bold** text) are properties that are formally listed on the National Register of Historic Places. Eligible

buildings have received a determination of eligibility for the National Register from the National Park Service. Buildings identified with an asterisk (*) are identified by the Inventory of Historic and Cultural Resources but not by the Space and Functional Database.

Exhibit 2-7. VISN 12 Historic Building Inventory

MEDICAL CENTER	HISTORIC BUILDING INVENTORY					
	BLDG #	DESCRIPTION	YEAR BUILT	BLDG #	DESCRIPTION	YEAR BUILT
Iron Mountain	None					
Tomah	1	Housekeeping Quarters	1925	25	Utility Shops	1905
	2	Nurse Quarters	1932	32	Manual Arts Shop	1925
	3	Housekeeping Quarters	1915	33	Engineering Warehouse	1910
	5	Housekeeping Quarters	1920	36	Fire Station and Garage	1930
	6	Housekeeping Quarters	1920	40	Warehouse & Vehicle Storage	1943
	7	*Housekeeping Quarters	1910	400	Admin & Clinical Bldg	1946
	8	Housekeeping Quarters	1915	401	Ward Building	1946
	10	Day Care	1925	402	Ward Building	1946
	12	Housekeeping Quarters	1920	404	Ward Building	1946
	15	Gymnasium	1910	406	Ward Building	1947
	18	Housekeeping Quarters	1910	407	Ward Building	1947
	23	Administration	1915	408	Ward Building	1947
Milwaukee	1	Service Offices	1896	19	Personnel Quarters	1921
	2	Vacant	1869	20	Warehouse	1896
	3	Wadsworth Library	1891	34	*Water Meter House	1888
	4	Social Center	1894	37	Personnel Quarters	1902
	5	Great Lakes Service Center	1894	38	*Personnel Quarters	1886
	6	VA Regional Office	1879	39	Director's Quarters	1868
	7	Compensated Work Therapy	1888	40	*Greenhouse	1924
	11	Personnel Quarters	1883	41	War Memorial Theater	1881
	12	Chapel	1889	45	Old Power Plant	1895
	14	Personnel Quarters	1909	47	*Personnel Quarters	1899
	16	Personnel Quarters	1901	49	Personnel Quarters	1909
	17	Personnel Quarters	1887	50	Personnel Quarters	1909
	18	Personnel Quarters	1916	53	*Powder Magazine	1881
Madison VA	None					
North Chicago	29	Dewey House	1914			
VACHCS Total	None					
Hines	2	Administration	1929	26	Personnel Quarters	1929
	12	Blind Center/MAS	1929	27	Personnel Quarters	1929
	13	Blind Center	1929	28	Personnel Quarters	1929
	14	Quarters	1929	29	Personnel Quarters	1929
	16	Administration Offices/I.G,	1929	31	*Personnel Garage	1929
	17	Office of Human Resources	1929	32	*Personnel Garage	1929
	18	VISN Admin Offices	1929	34	*George Dilboy Mem. Statue	1942
	20	Supply Depot	1923	35	*Main Gate House	1929
	21	Supply Depot	1923	50	Vacant	1944
	23	Personnel Quarters	1929	51	Vacant	1944
	24	Personnel Quarters	1929	53	Vacant	1944
	25	Personnel Quarters	1929			

2.3.4 One VA/Non-VHA Tenants

VHA currently houses a number of VA and non-VA tenants on the eight medical center campuses around the VISN. According to the VHA VISN 12 Space and Functional database, collocated tenants occupy 930,753 square feet of space. The details relevant to this outleasing activity are provided below.

- **Veteran's Benefits Administration (VBA)**

VBA currently operates the Data Processing Center in building 215 on the Hines Campus. This facility is 103,572 square feet and was constructed in 1960.

VBA operates several administrative offices around the VISN, including a Regional Office on the Milwaukee VAMC campus, Compensation and Pension Exam offices on the North Chicago VAMC campus, and VBA Benefits Counselors on the Iron Mountain VAMC campus.

VBA is currently pursuing two additional collocation opportunities with VHA through the Enhanced Use Leasing Program.

- **National Cemetery Administration (NCA)**

NCA currently operates a cemetery on the Milwaukee VAMC campus. This cemetery is reported to be full. NCA stated that it has no plans or requirements to expand capacity in VISN 12.

- **Other Non-VHA Tenants**

A number of non-VHA tenants are leasing space or property from VA. These range from State Departments of Veterans Affairs, outside healthcare providers, DoD agencies and VISN 12 affiliates, to Veterans Service Organizations. These are outlined in Exhibit 2-8.

Exhibit 2-8. Collocated Tenants on VISN 12 VHA Campuses

MEDICAL CENTER	VA	VHA	VBA	NCA	OTHER	TENANT	BLDG #	FLOOR	EXISTING SPACE (SQ. FT.)
Iron Mountain			✓			VBA Benefits Counselor	1	5	715
		✓				VISN Product Line—MCCF	1	5	1,862
					✓	Private Chiropractor's Office	3	1	5,073
					✓	Union Offices	1	5	350
Total									8,000
Tomah					✓	Vet Assistance Center—WI Dept. of VA	407	1, 2	31,648
					✓	AFGE Union	25	1	2,894
					✓	Veteran Service Organizations	400	1	112
							403	1	124
Total									34,778

MEDICAL CENTER	VA	VHA	VBA	NCA	OTHER	TENANT	BLDG #	FLOOR	EXISTING SPACE (SQ. FT.)
Milwaukee				✓		NCA Cemetery			
			✓			VBA Regional Office	6	1	7,680
	✓					District Counsel—Office of Gen. Counsel	6	2	2,668
					✓	WI Dept. of VA	6	3	5,456
			✓			VHA Policy and Planning	70	1	3,500
					✓	Defense Logistics Agency—DoD	70	2	10,370
					✓	Veteran Service Organizations	6	2	2,256
						70	1	9,613	
Total									41,543
Madison					✓	University of Wisconsin	1	3, 7, G	20,810
					✓	Union Offices	1	G	500
Total									21,310
North Chicago		✓				VISN Product Line—MCCF	1	3	2,489
					✓	Lake County Homeless Program	126	1,2	48,000
			✓			VBA Compensation and Pension Office	135	1	9,391
					✓	US Navy Admin Offices—DoD	135	2	1,241
					✓	Illinois Dept. of VA	135	G	2,049
					✓	Great American Amusements—Quarters	48	1,2	16,413
					✓	Chicago Medical School	50	1	28,419
							51	1	28,419
						Golf Course			
					✓	Union Offices	64	G	3,002
				✓	Other Leased Space	5	1,2	10,287	
						3	1	4,298	
Total									152,008
VACHCS	Lakeside				✓	PALM	1A	2	4,040
					✓	Veteran Service Organizations	1	10	2,400
	West Side				✓	Union Offices	11A	4	520
					✓	Veteran Service Organizations	11B	1	700
Total									7,660
Hines	✓					NAC Depot	37	1	495,576
			✓			VBA Data Processing Center	215	1	103,572
		✓				VISN 12 Administrative Offices	18	B, 1,2	11,556
	✓					VA Office of Inspector General	16	B,1,2,3	20,664
	✓					Regional Counsel—Office of Gen. Counsel	1	1	9,928
	✓					VA Office of Resolution Management	1	1	11,832
			✓			VHA HSR&D	1	2,3	4,990
			✓			VHA HDQTRS's VIREC	1	3	1,040
					✓	Paralyzed Veteran's of America (PVA)	1	2	1,996
							200	2	1,800
				✓	Veteran Service Organizations	1	4	2,500	
Total									665,454

Source: VA Database

2.3.5 Description and Market Valuation of Property

The CARES team employed the services of real estate broker CB Richard Ellis, Inc., to perform a Broker's Opinion of Value (BOV) for properties identified as Enhanced Use or disposal opportunities as a result of the SDOs. The purpose of this activity is to create an opinion of value of the fee simple interest of a property or portion of property, given current market conditions and trends at the time of the study, if the property were leased or sold in "as is" condition. These data are used for internal evaluation and decision making for the comparative economic evaluation of the options. Each BOV is based on both the cost and sales comparison approach, as applicable, correlating the findings into a final value conclusion. Although the BOV methodology is beneficial in understanding the relative value of property based on market conditions, it is important to consider that the reliability of the sales comparison approach is limited because of the somewhat specialized nature of the properties and the quality of truly comparable sales data available in this location. To address this concern, the CARES team used brokers with extensive experience in the local markets and brokers within the CBRE healthcare group. These brokers provided subject matter expertise at both the local and asset-type levels. The summaries of these valuations follow, with full reports included in Appendix K.

- **VACHCS—West Side**

The West Side Division of the VA Chicago Health Care System (VACHCS) is located at 820 S. Damen in Chicago. The property consists of 13 acres of land and 21 buildings totaling 730,680 square feet. The main buildings (the main hospital building and the newer outpatient clinic/ambulatory care structures) account for 671,518 square feet or 92 percent of the square footage. VACHCS—West Side is located in the heart of the Illinois Medical District. It is convenient to the Eisenhower Expressway and public transportation.

The existing medical use is the highest and best use of the property. Currently there are components of the property slated for demolition. Additionally, a parking structure should be a critical component to any redevelopment options. The blended value of the two main buildings (the older main hospital and the newer outpatient/ambulatory care clinic) would be between \$80 and \$101 per square foot. Alternatively, should the main hospital be demolished, the 3.2 acre site it currently occupies would be worth between \$15 and \$17 per square foot. The combined value of the entire property would be between \$52.7 million and \$64.2 million.

- **VACHCS—Lakeside**

The Lakeside Division of VACHCS has two locations: at 333 East Huron and at 400 East Ontario, Chicago. The East Huron property is a 15-story, 607,989 square foot hospital building on 3.8 acres of land. The East Ontario building is a 3-story, 47,278 square foot medical research structure on 15,000 square feet of land.

VACHCS—Lakeside is located in the heart of downtown Chicago. The surrounding area, known as Streeterville, is mostly upscale and contains the area known as The Gold Coast. Several expressways are nearby and public transportation is plentiful, although the closest metro stop is several blocks away.

The land that the main hospital sits on has an extremely high market value. Because of the desirable location and the size of the property, it would be worth \$540 to \$650 per square foot for a market value of \$89 to \$107 million. The medical research building also sits on highly desirable land and would be valued between \$600 and \$700 per square foot for a market value of \$9 to \$10.5 million for the land. The medical research building has an estimated value of \$125 to \$150 per square foot, for a market value of \$5.6 to \$6.9 million for the building. The value of the land underneath both buildings, on a square foot basis, far outweighs any alternative use and sales comparisons.

- **Hines VAMC**

The Edward Hines, Jr. Hospital is located at 5th Avenue and Roosevelt Road in Hines, Illinois. The property consists of 146 acres of land and 42 buildings, totaling 2.85 million square feet. The main buildings (main hospital, outpatient clinic/research/office building, psychiatric facility, spinal cord injury unit, nursing home, data processing, administration, and supply depot) account for 2.18 million square feet or 76 percent of the square footage.

The area surrounding Hines is used in many ways, from industrial to residential to medical. Loyola University Health System is adjacent to the east of Hines. Additionally, there are a number of special uses in the area, such as a zoo, a cemetery, and forest preserve.

The property can be divided into seven subsections. The main buildings are currently at their highest and best use. Depending on the building, the values would range from \$50 to \$150. Parcel A, fronting Roosevelt Road, is currently green space and could best be used as service/retail. Such development could support land values of \$9 to \$10 per square foot. Parcels B, C, and D (individual sites that are currently occupied by several three-story buildings and a former golf course) would offer excellent redevelopment opportunities for medical-related use. These three parcels, totaling approximately 23 acres, would be valued between \$6 and \$8 per square foot. Just south of Parcel B, there is another subsection consisting of several residences. This land would also best be used for medical-related activities at a cost of \$6 and \$8 per square foot. Finally, there is a site that was previously slated for daycare use. If redeveloped for that role, the land would be worth \$8 to \$9 per square foot.

- **North Chicago VAMC**

The North Chicago VAMC is located at 3001 Green Bay Road. The property consists of 225.8 acres of land and 66 buildings totaling 1.6 million square feet. The main buildings in the northwest corner of the site (general hospital building, nursing home, outpatient care/administration, child care center/administration, and patient care) represent 697,381 square feet or 43 percent of the total square footage.

Access to the facility includes a highway system and interstate, airports in both Milwaukee (45 minutes from North Chicago) and Chicago (55 minutes from North Chicago) and trains that run to and from the city.

The five main buildings are currently at their highest and best use. Additionally, some other buildings may be integral to the operation of these five buildings. With these assumptions, values of these buildings range from \$50 to \$150 per square foot.

Four other subsections of the property exist. The Buckley Road frontage could best be used by service and retail entities and could support land values of \$6 to \$7 per square foot. The Green Bay Road frontage, which has one building on the national historic register (The Dewey House) could best be used for apartments, townhouses, or condominiums. The land value would be \$45,000 to \$75,000 per acre. The non-operational golf course area offers residential development opportunities for single-family homes. The land value would be \$30,000 to \$45,000 per acre. Finally, the Northeast Quadrant, which is home to many functionally obsolete buildings, may best be used as an industrial site at a value of \$2 to \$3 per square foot.

- **Milwaukee VAMC**

The Milwaukee VAMC is located at 5000 West National Avenue on 197.9 acres of land comprising 59 buildings for a total of 1.85 million square feet with the main 10-story hospital totaling 804,711 square feet. The general condition of the majority of the buildings appears to be fair to poor as a result of deferred maintenance and lack of ADA compliance. Visual inspection indicates the need for several major repair projects. One building (The War Memorial Theater) is on the national historical registry and, along with another building of historic value, requires preservation.

The land surrounding the VAMC has seen development in recent years, most notably with the new Miller Park Stadium, adjacent to the north, and residential and retail development occurring to the south and the west. Two parcels of land on VA grounds are considered developable but neither is located in a strong office/retail submarket.

The feasibility of medical use renovation seems unlikely as the major hospitals in the area have repositioned themselves in the past 10 years with updated campuses and satellite clinics. The demand for medical space this size is limited. The site would best be suited for mixed use including senior housing, office, and service retail.

The land value for the area, based on comparable sales, ranges from \$100,000 to \$125,000 per acre. CB Richard Ellis estimates that VA's land would be worth approximately \$21 million, given historical implications, and that the main building would have a shell value of about \$20 per square foot, or \$16 million. A conversion to mixed use would take between 7 and 10 years and the timing to market the property to a developer would be 36 to 60 months.

- **Madison VAMC**

Located at 2500 Overlook Terrace in Madison, Wisconsin, the VA property sits on 19.5 acres and has 17 buildings for a total of 618,517 square feet. Facility remodeling has been ongoing since 1990 with a portion of funds from the University of Wisconsin (UW).

CB Richard Ellis gives the overall condition of the property a B+, citing good coordination in improvements (repair and maintenance), design and parking. Interior finishes vary throughout the facilities, but renovations, including renovations funded by the UW, have made this a fairly modern and functional campus.

The VAMC property is surrounded by land owned by the UW Hospital. The UW Hospital, currently a tenant in the VAMC facility at a lease rate of \$25 per square foot, actively shares medical resources and research facilities with the VAMC complex.

Functionally, the site is very good. There is easy access on and off the main thoroughfare, and public transportation to the facility is excellent.

The highest and best use of the property is a conversion into state and university medical and office facilities. The valuation of the property (assuming 80 percent occupancy at a net rate of \$10 per square feet with a 9 percent cap) is \$47 million.

- **Tomah**

Tomah VAMC is located at 500 E. Veterans Street, Tomah, Michigan. The property consists of 166 acres of land and 59 buildings, totaling 671,821 square feet. The main buildings (ward buildings 400–404, 406–408) account for 441, 202 square feet, or 66 percent of the square footage.

Because of veteran reliance on this facility and the lack of community services, initial SDO development did not identify Tomah for potential disposal or Enhanced Use. Furthermore, the scale of the real estate market for like-kind assets does not provide suitable sales and comparable information for structuring a full BOV.

- **Iron Mountain**

Iron Mountain VAMC is located at 325 East H. Street, Iron Mountain, Michigan. The property consists of 28 acres of land and 11 buildings, totaling 260,867 square feet. The main hospital building accounts for 223,800 square feet, or 86 percent of the square footage.

Because of veteran reliance on this facility and the lack of community services, initial SDO development did not identify Iron Mountain for potential disposal or Enhanced Use.

Furthermore, the scale of the real estate market for like-kind assets does not provide suitable sales and comparable information for structuring a full BOV.

2.3.6 Current Enhanced Use Program Initiatives

Enhanced Use Leasing is a program that allows VA to realign under-performing property to produce assets capable of yielding highest and best return to veterans, taxpayers, and the government. Those projects currently under development and evaluation are identified below.

- **Nicor Energy Center—North Chicago VAMC**

VA proposes to enter into a 15-year Enhanced-Use outlease of VA real property with NICOR Energy Solutions of Naperville, Illinois. In exchange for the real property, NICOR will finance, design/build, operate, and maintain a state-of-the-art cogeneration energy center to produce and sell energy to the VAMC. NICOR will also maintain all distribution systems necessary for delivery of energy to the numerous buildings on VA property. This investment will result in hard savings and capital cost avoidance.

The purpose of this investment is to secure a lower cost source of energy for the operation of the VAMC. Steam is currently procured from the neighboring Naval Training Center while the local utility company provides electricity. VA's detailed analysis for the Capital Investment Application process identifies the Enhanced Use proposal to be the most cost-effective method for procuring the energy required to operate the VAMC.

In exchange for the outlease of property (valued at \$110,000 for the construction of the plant) the developer, Nicor, has offered VA an energy service agreement that represents a savings of approximately \$13,500,000 (NPV) in medical care recurring spending over the term of the lease. Concurrent with the development of the Energy Center at North Chicago, Nicor will be performing energy audits at other VISN 12 facilities (Hines, Iron Mountain, Madison, Milwaukee, Tomah and VACHCS) to seek further energy saving initiative projects.

For additional information on Nicor, cogeneration and its benefits, see <http://www.nicorinc.com/gas/gfyb/benefits.htm>

Source: Department of Veterans Affairs Capital Investment Proposal Application.

- **VARO / Parking Garage—VACHCS—West Side Division**

VA proposes to enter into an Enhanced Use Lease for a privately financed, developed, and managed office and parking garage complex on the grounds of the VAMC in Chicago (West Side), Illinois. The 4.4 acre Enhanced Use site is used primarily for parking.

In consideration of a 35-year Enhanced Use Lease, the developer will finance, design/build, equip, and furnish (turnkey delivery) as well as operate and maintain a 96,000 gross square foot office building and a 1,350 space parking garage. VA will occupy and use approximately 95 percent of the office building for its Chicago VA Regional Office (VARO). The addition of a parking garage to the West Side campus addresses a severe parking shortage on the site. VA will have access to 1,200 spaces in the parking garage to meet veteran, volunteer, visitor, and staff demands. Twenty-five percent of the 1,200 spaces will be made available, at no charge, exclusively for veterans coming to West Side to obtain benefit and healthcare services. The remaining spaces will be made available to the general public having business in the Illinois Medical District. VA staff, visitors, and the general public will pay comparable market fees.

Source: Department of Veterans Affairs Supplemental Information for the Capital Investment Board Application.

2.3.7 Current Capital Investment Plan

At the time of the study, there is a substantial shortfall of available funding for the minor construction spending forecasts for VISN facilities projected out through FY 2001. There are no major (i.e., >\$10M) construction projects currently in the plan in VISN 12. These forecasts are outlined in Exhibit 2-9.

Exhibit 2-9. VISN 12 Minor Projects Planned for Award in FY 2001

MEDICAL CENTER	PROJ. NO.	PROJECT TITLE	DES/CONSTR	COST	AWARD DATE
Iron Mountain	585-030	Consolidate ICU – 3W	Design	\$140,000	1-Mar
Tomah	None				
Milwaukee	None				
Madison	None				
North Chicago	None				
VACHCS Total	None				
Lakeside	537-307	Relocate Specialty Clinics	Construction	\$2,000,000	1-Jun
West Side	537-230	Expand Ambulatory Surgery	Design	\$250,000	1-Mar
	537-230	Expand Ambulatory Surgery	Construction	\$2,500,000	1-Sep
Hines	578-319	Reloc / Consolidate ICU Units	Design	\$300,000	1-Mar
	578-323	Consolidate Pharmacy Service	Construction	\$2,500,000	1-Jun
	578-329	Amb Care Subsp Clinics, 4 th Fl	Construction	\$3,000,000	1-Jun
	578-321	Renovate Eye & ENT Clinics	Design	\$175,000	1-Mar
Total				\$14,365,000	

Note: HQ V12 FY 2001 Minor Program Allocation (minor X0111 funds) is \$6,574,000

Note: V12 will net only \$4,528,000 of actual FY 01 minor dollars after loan pay back.

2.4 COMMUNITY SUPPLY OF HEALTHCARE SERVICES

2.4.1 DoD offers acute inpatient services in the Great Lakes Health Care System service area.

DoD has two healthcare facilities within the geographic area of VISN 12.

The Great Lakes Naval Training Station abuts the campus of the North Chicago VAMC. The Great Lakes Naval Hospital (GLNH) located on the station has 104 licensed medical/surgical beds but staffs only 51 of the beds. It also has 37 acute psychiatry beds, with 23 staffed. Its average daily census (ADC) of medical/surgical beds is between 24 and 25 and the ADC of the acute psychiatry beds is 22. GLNH offers ambulatory primary and specialty services at the Naval Hospital.

There are 12 sharing agreements between Great Lakes Naval Training Station and North Chicago VAMC. Six of the 12 are medical-care related and 3 are medical-training related. The

potential for expanding this sharing partnership is discussed in each of the options. The US Navy has a contractor, SRA International, conducting an economic analysis of the capital assets at the Naval Hospital. SRA's analysis is proposing, as an option, US Navy partnership with North Chicago VAMC for inpatient services.

The Tomah VAMC currently has a contract with the United States Army to provide primary care services to the beneficiaries at Fort McCoy. This is a revenue-producing program for VHA.

2.4.2 The private sector offers the full continuum of care in the communities within the great lakes health care system's geographical area

This section addresses the supply of healthcare services available from the private sector.

According to the AHA, there are 274 inpatient hospitals located within the Great Lakes Health Care System with a total of over 45,000 staffed beds.

The continuum of care ranges from very small rural hospitals offering only basic acute medical/surgical capabilities to very large urban tertiary hospitals offering the full spectrum of specialty and subspecialty care services. Exhibit 2-10 shows the total number of hospitals and staffed beds in the 5 states represented in the Great Lakes Health Care System.

Exhibit 2-10. Number of Beds in Community Hospitals in VISN 12, FY 2000

State	# Counties in VISN 12	# Hospitals in VISN 12 Counties	Total Beds	Occupancy Range	Occupancy Average	Available Beds
Illinois	17	129	27,196	34-76%	55%	12,317
Indiana	6	14	1,975	49-65%	58%	820
Wisconsin	57	116	15,234	14-85%	60%	6018
Michigan	15	15	1,030	25-100%	65%	356
Minnesota	1	1	80	80%	80%	16
Total	96	275	45,515	14-100%	57%	19,527

Source: AHA Guide 2000

The data in this table are derived from the 2000 AHA Guide. It must be noted that AHA includes all services and bed types (i.e., OB/Gyn, pediatrics, skilled nursing). Occupancy rates and available hospital beds are based only on those facilities that reported inpatient days. This analysis suggests that the vacancy rate of private sector community hospitals could be as high as 43 percent, therefore suggesting there is excess capacity in the private sector with the potential for the VA to buy services.

To be certain that community capacity data did not mask a constraint for a particular type of service, the team conducted a telephone survey of 72 hospitals within the VISN.

A telephone survey was conducted to provide a more narrowly defined measure of available capacity in the bed types that are more typically demanded by the cohort using VA healthcare services. Specifically, we were interested in knowing occupancy rates for acute medical/surgical and psychiatric beds. We also surveyed skilled nursing home facilities within these facilities. We started by surveying facilities within a 15-mile radius of the 8 current facilities located in VISN 12 to ensure these are accessible to veteran patients. Fifty-four hospitals responded with useable data for at least one category of beds. Exhibit 2-11 through Exhibit 2-13 show the results of our survey.

Exhibit 2-11 shows that the community medical/surgical vacancy rate in the sample surveyed was 37.8 percent.

Exhibit 2-11. Availability of Medical/Surgical Services and Beds in the Community

# STAFFED BEDS	AVERAGE DAILY CENSUS	OCCUPANCY RATE	VACANCY RATE	AVAILABLE BEDS
5992	3728	62.2%	37.8%	2264

Source: Booz:Allen & Hamilton conducted telephone survey

Similarly, Exhibit 2-12 shows that the community vacancy rate for acute psychiatry in the survey sample was 29.4 percent.

Exhibit 2-12. Availability of Acute Psychiatry Beds in the Community

# STAFFED BEDS	AVERAGE DAILY CENSUS	OCCUPANCY RATE	VACANCY RATE	AVAILABLE BEDS
602	425	70.6%	29.4%	177

Source: Booz:Allen & Hamilton conducted telephone survey

For skilled nursing home beds (extended care beds), the picture was somewhat more complex. Many surveyed hospitals did not have nursing home units or could not provide data for this part of the survey. Exhibit 2-13 shows the limited results.

Exhibit 2-13. Availability of Skilled Nursing Home Unit Beds in the Community

# STAFFED BEDS	AVERAGE DAILY CENSUS	OCCUPANCY RATE	VACANCY RATE	AVAILABLE BEDS
674	543	80.5%	19.5%	131

Source: Booz:Allen & Hamilton conducted telephone survey

A second telephone survey was conducted among private freestanding nursing homes to test the availability of non-hospital-based nursing home beds in the northern, more remote areas of VISN 12. Nursing homes in seven northern counties were surveyed. The results are shown in Exhibit 2-14.

Exhibit 2-14. Availability of Freestanding Nursing Home Beds in Northern VISN 12

BED CAPACITY	VACANCIES	VACANCY RATE
1705	59	3.5%

The Booz·Allen CARES Team concluded these analyses indicate that excess private sector resources represent a potential resource for buying services for the VA. The analyses also show that there is excess capacity in the private sector. Because of this, there is little demand for VA services from the private sector.

2.5 VISN 12 CONTINUES TO REENGINEER ITS HEALTHCARE DELIVERY SYSTEM FROM A HOSPITAL-BASED, INPATIENT SYSTEM TO AN INTEGRATED HEALTHCARE DELIVERY SYSTEM.

VISN 12's Network Plan 2001 describes the strategic direction and initiatives that are planned for 2001. These include numerous initiatives aimed at managing cost reductions without any harm to quality or access and continuing to reengineer its healthcare delivery system. VISN 12 continues to move from a hospital-based, inpatient, care system to an integrated healthcare delivery system. VISN 12's strategic goals include the following:

- Provide 80 percent of care within 30 minutes of veteran's homes, 90 percent of care within 2–3 hours of veteran's homes, and 100 percent of care within the VISN. With this goal in mind, VISN 12 will continue to develop a strong primary care base.
- Given the high prevalence of mental health and substance abuse disorders in the veteran population served by VISN 12, mental healthcare will continue to be an important and special component of the continuum of care.
- Optimize the total number of hospital operating beds. This includes a decrease in the use of inpatient resources, primarily acute care, and intermediate care beds.
- Maintain long-term care services while incorporating and managing new demands through the use of non-institutional services, fee for services, contracts, and State Veterans Homes. The focus is on expanding home and community-based services and reducing the dependence on hospital or institutional programs.

To accomplish its stated goals, VISN 12 has developed a multifaceted approach that includes:

- Shift the provision of care to the least costly setting
- Identify and implement clinical and support service efficiencies
- Improve productivity and eliminate unnecessary activities and services
- Contract out services where cost-efficiencies can be gained without compromising quality

- Reduce overhead where feasible and effectively manage capital and human resources
- Create financial incentives that reward support of the VISN's strategic initiatives.

Condition and utilization site plans follow.