

VISN: VA Healthcare Network Upstate New York - VISN 2

Facility Name: Canandaigua VA Medical Center

Affected Facilities: Batavia VAMC, Bath VAMC, Buffalo VAMC, Syracuse VAMC

A. Summary and Conclusions

a. Executive Summary:

The following executive summary provides 1) the description of the issue, 2) proposal description (solution), 2) the intent (expected outcome), and 3) the decision-making criteria (rationale). The rationale includes specific details and data in supporting the proposal decision as requested in the guidance. The level of detail in the rationale is provided in response to the Commissioners attending the VISN 2 hearing who had indicated they had not received enough details supporting the proposal. VISN 2 witnesses had indicated that the detail would be provided in this report. The rationale is described in the components of facility space assessment, the potential clinical access impact and the financial impact.

1) The Issue:

Re-align capital assets that will generate cost savings that will allow the provision of more comprehensive health care to more veterans in the Canandaigua and Finger Lakes region.

2) The Proposal (Solution):

The VISN 2 proposed plan (Draft National CARES plan):

- Get out of the business of maintaining the existing 144 acres, 48 buildings and a 665,000 square foot campus (of which 170,000 square feet is vacant or under-utilized) that serves 6,000 veterans in the Canandaigua region.
- Get in the business of maintaining a comprehensive outpatient clinic within one building that is approximately 50,000 to 100,000 square feet that serves the current 6,000 veterans and increases the veterans served to 15,000 in the Canandaigua region. This is a projected increase of 9,000 new patients between the new Canandaigua clinic and existing Rochester clinic.

3) The Intent (Expected Outcome):

- Provide more comprehensive outpatient medical and specialty care access that is closer to the homes of veteran's in the Finger Lakes* region.
 - Increase the number of patient seen in the Finger Lakes from 15,000 to 24,000. An increase of 9,000 veterans.
 - Improve the veteran market penetration from 19% to 30%. An increase of 11%.

* The Finger Lakes region encompasses the counties of Livingston, Monroe, Ontario, Seneca, Wayne, Allegany, Chemung, Schuyler, Steuben, and Yates in New York and Potter and Tioga counties in Northern Pennsylvania. The region is served by the VAMC Canandaigua (Ontario County), VAMC Bath (Steuben County), Rochester OPC (Monroe County), Wellsville CBOC (Allegany County) and Elmira CBOC (Chemung County).

- Maintain and potentially increase the long-term care inpatient capacity within VISN 2.
- Meet the objective of CARES by re-aligning capital assets to meet the health care needs of veterans and redirect resources currently spent on indirect expenses to direct patient care expenses.
 - Reduce resources (indirect costs) spent on maintaining a large campus and multiple buildings. Internal VISN 2 estimated savings of \$20.0 to \$20.5 million and the VACO model estimated annual average savings of \$20.8 million.
 - Invest in new capital asset lease designed for outpatient health care that would require an estimated \$3 - \$5 million indirect (fixed) cost structure versus the current \$20 million indirect (fixed) cost structure.

- Key misconception:
 - A missed point by many during the CARES Hearing is that the outpatient services currently being provided at the Canandaigua campus would **all** be maintained in the Canandaigua area.
 - It is expected that new clinics or services would be added, especially in specialty areas where Canandaigua veterans currently travel to Rochester (31.7 miles and 41 minute driving time), Syracuse (68.9 miles and 1 hour 15 minutes), and Buffalo (86.8 miles and 1 hour 32 minute). Mileage and driving times noted are from VAMC Canandaigua campus to other VA location. Source is Microsoft MapPoint software.
 - It is expected that the capacity of current Canandaigua clinics would be expanded in the new clinic to meet the CARES workload projections.
- There is an anticipated need to include a 24-hour psychiatric observation bed unit. A detailed assessment of need and sizing would be completed during an implementation planning process.

Since there has been confusion on what outpatient services are to be provided at the new Canandaigua clinic, the following is a planning list of clinics:

Planning List for Comprehensive Outpatient Clinic (Note: Implementation Board may add or otherwise modify the list)				
Primary Care & Specialty Clinics	Mental Health Clinics	Geriatric Clinics	Rehabilitation Clinics	Diagnostoc Clinics
primary care	mental health	geriatric evaluation	respiratory therapy	ultrasound
women's clinic	substance abuse	adult day health care	audiology & speech pathology	radiology
dental	Post Traumatic Stress Syndrome	alzheimer's & dementia	prosthetics clinic	EKG
cardiology clinic	health care for homeless veterans	home based primary care	physical medicine and rehabilitation clinics	EEG
hypertension	day treatment center		physical therapy	
hematology	A 24 hour psychiatric observation bed unit.		occupational therapy	
diabetes			vocational assistance	
gastro-enterology			kinesiotherapy	
gastrointestinal (GI)			prosthetics clinic	
urology				
neurology				
optometry				
ophthamology				
dermatology				
podiatry				
othopedics				
ambulatory surgery				

Actions to implement:

- Establish a Finger Lakes Advisory Board made up of community leaders, veteran service organizations, labor, and Network representatives to oversee the implementation planning and execution process.
- Identify alternative uses and actual transfer of the land and buildings including facility preparation for such a transfer. (5-year timeline.)
 - Although the VA plans to divest the land and buildings, it is anticipated that an alternative use would be found resulting in job opportunities for displaced staff.
- Preparation and implementation of inpatient workload re-alignment to other sites within VISN 2 with minimal to no impact on those facilities' fixed cost expenses. (4-5 year timeline.)
 - Note: Proposal identifies initial inpatient realignment planning targets and the targets would be flexible in order to allow modifications that best meet the access needs of veterans.
- Identify the location and establish a 1 building outpatient clinic.
 - Note: The sizing for space and staffing are an implementation phase step and should include CARES workload projections. (5 year timeline.)
- Begin reduction of fixed costs identifying staff reduction plans and other expenditure reduction areas.
- Overall, the implementation plan is expected to take place over a five year period.

2) The Decision-Making Criteria (Rationale):

✓ **In reviewing the CARES facility assessments (Valuation Studies) and vacant and under-utilized space (CARES Space & Functional Data Base):**

- a) The Canandaigua campus had 4.3 times more vacant/under-utilized space than the average of the other five VISN 2 facilities.
- b) The VAMC Canandaigua had 169,995 square feet of vacant/underutilized space while all other sites were less than 65,300 square feet.
- c) Of the six facilities, all sites were under 11% of vacant/under-utilized space with the exception of Batavia at 26% with 56,295 square feet and Canandaigua at 26% with 169,995 square feet.
- d) **Conclusion:** Canandaigua & Batavia were identified as potential locations for capital asset re-alignment.

	Canandaigua	Batavia	Bath	Syracuse	Buffalo	Albany
Number of Usable Acres (source: Asset Valuation-AEW):	171	47	101	7	17	24
Number of Usable Acres (source: Space & Functional Database):	144	46	181	14	17	29
Number of Buildings:	48	31	45	6	8	21
Source: CARES Space & Functional Database						
Note: Acreage varies from Valuation Study Reports.						
Total Space	664,248	213,681	488,391	484,721	778,631	685,796
Vacant Space	118,193	26,592	6,503	45,424	7,904	12,930
Under Utilized Space	51,802	29,703	1,588	7,222	7,847	52,370
Total Vacant/Under Utilized Space	169,995	56,295	8,091	52,646	15,751	65,300
Canandaigua has 4.3 times the amount of vacant space compared to average of other VISN 2 sites	4.3	39,617				
% of Space Vacant/Under Utilized	26%	26%	2%	11%	2%	10%

✓ **Comparing the cost structures (source is CARES unit costs and workload) of Canandaigua, Batavia and ROPC:**

- a) Canandaigua's direct costs (excluding the Rochester Outpatient clinic) were 2.6 times greater than Batavia's.
- b) Canandaigua's indirect costs (excluding the Rochester Outpatient clinic) were 2.5 greater than Batavia's.
- c) Of the 15,000 unique patients accounted for the VAMC Canandaigua, 9,000 are seen at the ROPC and 6,000 are seen at Canandaigua campus. The ROPC sees 60% of the unique patients with fixed costs of \$2.6 million while Canandaigua sees 40% of the unique patients with a fixed cost of \$19.5 million.
- d) **Conclusion:** Canandaigua has a much greater potential savings in fixed costs through capital re-alignment at a FY 2001 level of \$19.5 million compared to Batavia at \$7.7 million. A

cost structure similar to the ROPC indicates significant potential savings in fixed costs.

Expense Structure	Times Cand'gua above Batavia	Canandaigua (include ROPC)	Batavia	ROPC	Times Cand'gua above Batavia	Canandaigua (exclude ROPC)	Batavia
Variable (Direct)	3.0	\$29,243,643	\$9,701,793	\$4,255,437	2.6	\$24,988,206	\$9,701,793
Fixed (Indirect)	2.9	\$22,116,065	\$7,706,462	\$2,605,139	2.5	\$19,510,926	\$7,706,462
Operating Capital DSS Totals	3.0	\$51,359,708	\$17,408,255	\$6,860,576	2.6	\$44,499,132	\$17,408,255

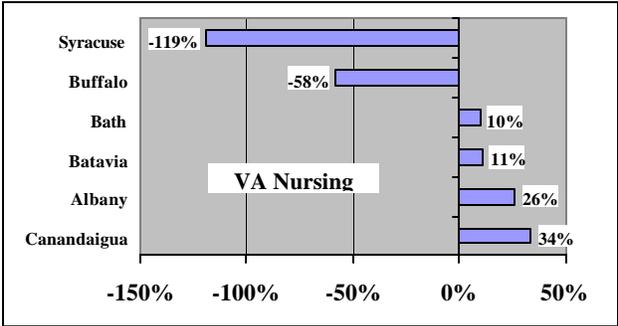
Source: Computed from CARES Direct and Indirect Unit Costs and CARES workload.

✓ **Comparing cost structure of CARES inpatient planning categories between VISN 2 facilities:**

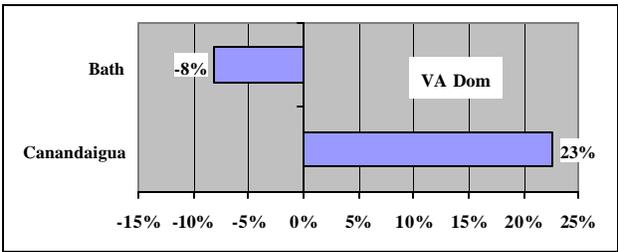
- a) Canandaigua has a higher cost per unique patient in the CARES inpatient planning categories.
- b) **Conclusion:** Supports concept of higher cost structure per unique patient. It is believed the high fixed cost structure drives this variance.

Source: VHA Allocation Resource Center (VERA Data Base)

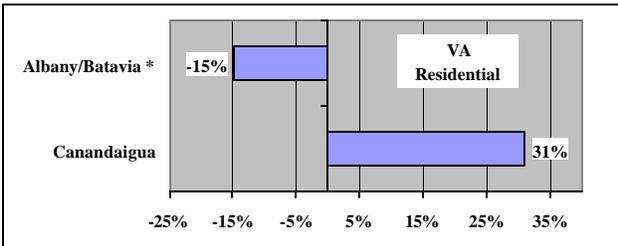
VA Nursing Home		Variance from VISN Average	
Facility	Cost Per Unique	Dollars	%
Canandaigua	\$62,986	\$21,273	34%
Albany	\$56,522	\$14,808	26%
Batavia	\$46,982	\$5,268	11%
Bath	\$46,423	\$4,709	10%
Buffalo	\$26,396	-\$15,318	-58%
Syracuse	\$19,062	-\$22,652	-119%
VISN 2 Average	\$41,714		



VA Dom		Variance from VISN Average	
Facility	Cost Per Unique	Dollars	%
Canandaigua	\$19,158	\$4,340	23%
Bath	\$13,697	-\$1,120	-8%
VISN 2 Average	\$14,817		



VA Residential Rehab		Variance from VISN Average	
Facility	Cost Per Unique	Dollars	%
Canandaigua	\$14,286	\$4,445	31%
Albany/Batavia *	\$8,573	-\$1,268	-15%
VISN 2 Average	\$9,841		



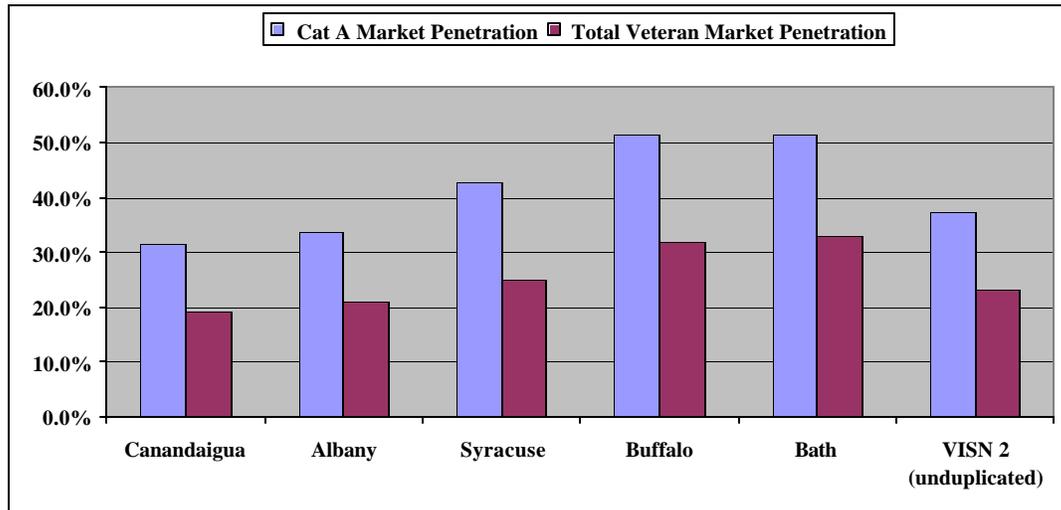
* Albany & Batavia combined due to workload reporting error.

✓ **Comparing clinical access of VISN 2 facilities:**

- a) Canandaigua has the lowest market penetration of all VISN 2 facilities for both core mission Category A patients (31.6%) and total veterans (19.2%).
- b) **Conclusion:** There is opportunity to improve the number of unique patients receiving VA health care in the Canandaigua region.

Source: Patients/Users from VISN 2 MIRS Data Base (FY 2003 Sep data); Population from CARES data base.

Facility	Cat A Patients (Users)	Cat A Population	Cat A Market Penetration	Total Veteran Patients (users)	Total Veteran Population	Total Veteran Market Penetration
Canandaigua	10,023	31,742	31.6%	15,825	82,553	19.2%
Albany	21,237	63,043	33.7%	32,381	153,465	21.1%
Syracuse	26,972	63,098	42.7%	37,506	150,665	24.9%
Buffalo	29,708	57,644	51.5%	41,066	128,611	31.9%
Bath	9,081	17,637	51.5%	11,951	36,149	33.1%
VISN 2 (unduplicated)	86,944	233,164	37.3%	128,209	551,443	23.2%



✓ **Comparing the clinical access impact of Canandaigua and Batavia inpatient components:**

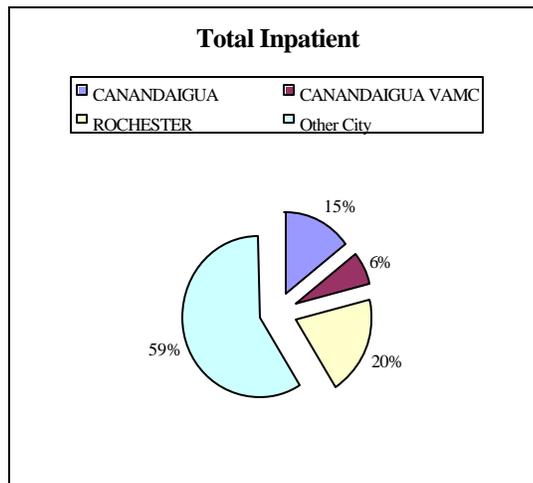
- a) Batavia is located within 40 miles and a 40-minute drive of two metropolitan areas and VA facilities.
 - VAMC Buffalo at 36.4 miles and 39 minutes driving time and
 - Rochester Outpatient clinic at 36.5 miles and 39 minutes driving time.
- b) Batavia is located next to a state nursing home.
- c) 150 (79%) of Canandaigua's 190 inpatients are from Rochester or cities other than Canandaigua. Reference chart below.
- d) **Conclusion:** Majority of Canandaigua's inpatients are from Rochester and cities other than Canandaigua. The patient's and the patient's families impacted by additional travel time due to the realignment will be closely monitored during implementation. VISN 2 will minimize the impact on veterans and their families. Options of community nursing homes and tele-homecare will be utilized when appropriate.

Patient Address	DOM		NHCU		PRRTP		PSYCH		Total	
City	DOM	%	VA Nursing Home	%	Residential Rehab	%	Psychiatry	%	Total Inpatient	%
CANANDAIGUA	3	9%	19	19%	2	8%	4	13%	28	15%
* CANANDAIGUA VAMC	0	0%	11	11%	0	0%	1	3%	12	6%
ROCHESTER	10	29%	16	16%	5	20%	7	23%	38	20%
Other City	22	63%	53	54%	18	72%	19	61%	112	59%
Total	35	100%	99	100%	25	100%	31	100%	190	100%

* Patient uses VAMC Canandaigua as address.
Source: VISN 2 Vista Data

VA Nursing Home's is the only inpatient section with significant volume of patients from the city of Canandaigua.

During an implementation, those patients would be targeted for a community nursing home or, if appropriate, VISN 2's piloted tele-homecare options to ensure reasonable distance for both the patient and family.



✓ **Assessing the financial impact and clinical access of re-aligning Canandaigua's capital assets:**

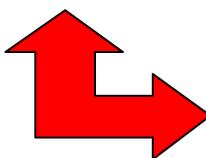
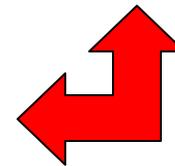
- a) The financial impact of divesting the Canandaigua campus, establishing a Canandaigua outpatient clinic, and re-aligning the inpatient workload to other VISN 2 facilities resulted in savings projections ranging from \$20 million to \$20.8 million.
- Internal VISN 2 model estimated savings of \$20 to \$20.5 million primarily driven by fixed cost savings estimates.
 - VACO model estimated annual average savings of \$20.8 million was based on an average of the life cycle costs.
 - Variance between the VISN 2 model estimate and the VACO model estimate is minimal. Both support significant out year savings.

NEW Life Cycle Costs Summary VISN 2 - Canandaigua Years 2004-2022				
Source: VACO Standard costing Template (Step 6, NEW Life Cycle Costs)				
Facility	Status Quo	Original Market Plan	100% Contract	Alternate 1
Canandaigua	\$1,387,422,105	\$1,374,176,005	\$1,104,491,294	\$589,916,456
Batavia	\$404,974,795	\$353,736,967	\$356,709,089	\$454,998,602
Bath	\$839,958,289	\$847,313,824	\$848,023,966	\$1,034,621,486
Buffalo	\$2,633,316,396	\$2,459,360,899	\$2,465,154,606	\$2,693,701,209
Syracuse	\$2,382,483,872	\$2,234,426,522	\$2,250,764,682	\$2,500,638,586
Life Cycle Cost Impact *	\$7,648,155,457	\$7,269,014,217	\$7,025,143,637	\$7,273,876,339
Note: VISN 2 addition to Standard Template				
Change from Status Quo		-\$379,141,240	-\$623,011,820	-\$374,279,118
% Change from Status Quo		-5.0%	-8.1%	-4.9%
		Positive = Cost Increase from Status Quo Negative = Cost Decrease (savings) from Status Quo		
Number of years (Years 2004 - 2022) =>		18	Note: VISN 2 addition to Standard Template	
Average Annual Life Cycle Cost Impact *		-\$21,063,402	-\$34,611,768	-\$20,793,284

* Life Cycle cost Impact = Status Quo - Alternative

Note:
VISN 2's internal methodology had estimated \$20 to \$20.5 million annual cost savings in out years after full implementation.

Comparing VACO model's average annual estimate is higher than VISN 2's low and high estimates.



VISN 2 Model Estimates vs. VACO Model Estimates	VISN 2 Low Savings Estimate	VISN 2 High Savings Estimate
VISN 2	\$20,000,000	\$20,453,634
VACO	\$20,793,284	\$20,793,284
Variance	\$793,284	\$339,651
% of Variance	3.97%	1.66%

b) The proposal would allow re-aligning fixed (indirect costs) into direct patient care resulting in more health care for more veterans.

Estimated annual inflation => 3.00%

CC	Description	FY02 DSS	FY08 Projected
		528A5 Canandaigua	528A5 Canandaigua
8401	OFFICE OF DIRECTOR	\$1,577,276	\$1,883,350
8402	DHCP/VISTA	\$850,100	\$1,015,064
8403	VA TRAINING	\$190,030	\$226,906
8405	VOLUNTARY	\$127,764	\$152,557
8407	SECURITY	\$695,484	\$830,444
8409	CHIEF OF STAFF	\$128,020	\$152,863
8411	OFFICE CHIEF MAS	\$10,315	\$12,317
8413	CONTRACT-FEE SERVICES	\$626,073	\$747,564
8414	MED INFO & RECORDS	\$491,165	\$586,477
8416	OFFICE OPERATIONS	\$341,547	\$407,825
8419	QUALITY ASSURANCE	\$1,132,928	\$1,352,775
8421	FISCAL	\$0	\$0
8431	HUMAN RESOURCES	\$482,447	\$576,067
8441	SUPPLY	\$2,552,513	\$3,047,834
8470	IRM	\$466,947	\$557,559
84	Administrative Support Total	\$9,672,609	\$11,549,601
8501	CHIEF ENGINEERING	\$253,152	\$302,277
8504	PROJECT MGMT ENGINEERING	\$192,301	\$229,617
8511	PLANT OPERATIONS	\$1,894,936	\$2,262,653
8521	TRANSPORTATION	\$863,547	\$1,031,120
8533	GROUND MAINTENANCE	\$148,709	\$177,566
8541	RECURRING MAINT/REPAIR	\$2,023,675	\$2,416,374
8542	NON-RECURRING MAINT/REPAIR	\$44,443	\$53,067
8551	OPERATING EQUIP M&R	\$270,365	\$322,830
8555	BIOMEDICAL ENGINEERING	\$200,318	\$239,190
8575	INTERIOR DESIGN	\$10,074	\$12,029
Eng	Engineering Support Total	\$5,901,520	\$7,046,724
8532	FIRE PROTECTION	\$548,650	\$655,117
8503	FACILITY SAFETY	\$19,378	\$23,138
Safety	Building Safety Total	\$568,028	\$678,255
8561	EMS	\$823	\$983
8562	PEST MGMT	\$9,688	\$11,568
8564	SANITATION OPERATIONS	\$2,075,134	\$2,477,819
8565	BED SVCS	\$90,108	\$107,594
8567	WASTE MGMT	\$9,630	\$11,499
8570	LAUNDRY-DRY CLEANING	\$437,735	\$522,678
8571	LINEN UNIFORM OPS	\$383,116	\$457,461
Ems	Environmental Mgt (EMS) Total	\$3,006,234	\$3,589,601
8601	HOME IMPROVEMENT	\$29,115	\$34,765
8602	PATIENT CARE TRAVEL	\$468,516	\$559,433
8603	CARE OF DEAD	\$1,504	\$1,796
8957	MCCR FIELD STA Total	\$947	\$1,131
86	Misc. Benefits and Services Total	\$500,082	\$597,124
	Fixed (Indirect) Total:	\$19,648,473	\$23,461,304

VISN 2
would like to re-align
a majority of these
fixed (indirect) costs
into direct patient care
expenditures.

Expected Outcome:
More health care
for more veterans.

Putting it into perspective:

- Spend \$2.1- \$2.5 million on ambulatory surgery and orthopedics rather than on sanitation operations.
- Spend \$2.0 - \$2.5 million on on adult day, Alzheimer/dementia, geriatrics and home based primary care rather than on building maintenance & repair.
- Spend \$1.8 - \$2.7 million on hypertension, diabetes, hematology clinics rather than on plant operations.
- Spend \$0.8 - \$1 million veteran homeless clinic, ophthalmology and optometry clinics rather than on laundry/linen operations.
- Spend \$0.6 - \$0.7 million on respiratory therapy and audiology clinics rather than on a fire department.

... the list goes on.

c) Impact of re-investing a projected \$20 million savings realized from the capital asset and workload realignment:

- Increase the number of patient seen in the Finger Lakes region (Canandaigua & ROPC) from 15,000 to 24,000. The projection represents an increase of 57% (9,000 veterans treated).
- Improve the veteran market penetration from 19% to 30%. The projection represents a market penetration increase of 11%.

d) **Conclusion:** VISN 2 recommended alternative 1 of divesting the Canandaigua campus, establishing a Canandaigua outpatient clinic, and re-aligning the inpatient workload to other VISN 2 facilities. Expected outcome would be more veterans receiving more health care.

Estimated Increase in Unique Patients Treated				Source
1.	ROPC unique patients	61%	9,582	VISN 2 MIRS data base
2.	Canandaigua unique patients	39%	6,243	VISN 2 MIRS data base
3.	Total Veteran patients	100%	15,825	Sum of Line 1 thru Line 2
4.	Estimated Cost Savings per Proposal		\$20,000,000	VISN 2 CARES Proposal Note: VISN 2's internal model estimated annual savings of \$20 million. VACO Model estimates average annual savings of \$20.8 million.
5.	Estimated Cost Per Patient (used ROPC as a proxy)		\$2,215	VHA Allocation Resource Center
6.	Estimated increase in Total Patients		9,031	Line 4 divided by Line 5
7.	% change in patients		57%	Line 6 divided by Line 3
8.	Total Veteran patients	15,825		VISN 2 MIRS data base
9.	Total Veteran Population	82,553		CARES data base
10.	Current Market Penetration		19%	Line 8 divided by Line 9
11.	Estimated Total Patients	24,856		Line 8 plus Line 6
12.	Total Veteran Population	82,553		CARES data base
13.	Current Market Penetration		30%	Line 11 divided by Line 12
14.	Change in Market Penetration		11%	Line 13 less Line 10

b. Current environment:

The Canandaigua VA is located in the Finger Lakes region of Western New York in rural Ontario County. The facility occupies 144 acres (171 acres noted in Asset valuation AEW) in a park-like setting in the Town of Canandaigua surrounded by residential neighborhoods, the Sonneburg Gardens Museum and the area high school. Canandaigua VA maintains its own fire department and sewage treatment facility and a portion of the campus is occupied by a golf course. The average age of the 3-story patient care buildings on the campus is 70-plus years, with most having been constructed in the early to mid 1930's and the remainder in the early 1940's. The majority of the patient care buildings were renovated in the 1980's or early 1990's. Many of the patient care buildings on campus have been determined eligible for inclusion on the National Register of Historic Places. The buildings have been well maintained over the years and meet JCAHO and Life Safety codes. All patient care buildings are handicapped accessible. The patient care rooms do not meet current standards for patient privacy. Most rooms are semi-private, with some three-bed rooms and patients share congregate toilet and bathing facilities. There is currently approximately 118,000 sq ft of vacant space at Canandaigua out of a total of about 668,000 sq ft. An additional 57,000 sq ft has been identified as underutilized. Two three-story patient care buildings, Building 36 and Building 37, are currently being used as swing space for a construction project. Once renovations on patient care Buildings 3 and 9 are completed, the top two floors of both Buildings 36 and 37 will be vacant.

c. Workload Summary:

Workload or Space Category	2001 ADC	Baseline Wkld (beds, stops)	2012 Projected Wkld (beds, stops)	2022 Projected Wkld (beds, stops)
Inpatient Medicine		580	4.50	3.12
Inpatient Surgery		162	0.52	0.36
Inpatient Psych	57.08	20,851	48.95	43.19
Inpatient Dom	37.70	13,762	35.82	35.82
Inpatient NHCU	101.71	43,872	114.19	114.19
Inpatient PR RTP	21.91	7,998	20.82	20.82
Inpatient SCI	N/A			
Inpatient BRC	N/A			
Outpatient Primary Care		44,634.20	81,530.26	63,634.41
Outpatient Specialty Care		25,752	68,118.84	54,562.66
Outpatient Mental Health		88,379	87,011.16	86,782.49
Ancillary & Diagnostics		52,797	73149.20	61,431.70

d. Proposed Realignment:

- **Where will care be provided and in what volume?**
 - Over a 5-year period, inpatient operating beds per the CARES planning categories will be re-aligned to other VISN 2 facilities.
 - The Operating Beds, Average Daily Census (ADC), and Bed Days of Care would move as shown in the chart below.
 - During implementation, the re-alignment may be adjusted as deemed appropriate by the implementation team and some contract nursing home may be utilized to allow access near patients and their family's home.

Workload Re-Alignment Inpatient

Inpatient - Operating Beds							
Ln	Fac #	Facility/Division	Nursing Home	Domiciliary	Residential Rehab	Psychiatry	Total
2	528A5	Canandaigua (FY02 Base Line)	127	40	23	58	248
3		Occupancy rate =>	80.0%	94.8%	72.9%	70.1%	79.4%
Workload Re-allocation							
4	528A8	Albany					
5	528A6	Bath	90	40			130
6	528	Buffalo	30			30	60
7	528A4	Batavia Div	30		23		53
8	528A7	Syracuse				30	30
9		Contract					
10	528A5	Canandaigua					
11		Total	150	40	23	60	273
12		Change in Operating Beds	23			2	25
13		% change in Operating Beds	18.1%			3.4%	10.1%

Inpatient - ADC (ADC = Average Daily Census)							
Ln	Fac #	Facility/Division	Nursing Home	Domiciliary	Residential Rehab	Psychiatry	Total
2	528A5	Canandaigua (FY02 Base Line)	102	38	17	41	197
3		Occupancy rate =>	80.0%	94.8%	72.9%	70.1%	79.4%
Workload Re-allocation							
4	528A8	Albany					
5	528A6	Bath	72	38			110
6	528	Buffalo	24			22	46
7	528A4	Batavia Div	24		18		42
8	528A7	Syracuse				22	22
9		Contract					
10	528A5	Canandaigua					
11		Total	120	38	18	45	221
12		Change in ADC	18	0	1	4	24
13		% change in ADC	18.1%	0.3%	6.2%	10.7%	12.1%

Inpatient - BDOC (BDOC = Bed Days of Care)							
Ln	Fac #	Facility/Division	Nursing Home	Domiciliary	Residential Rehab	Psychiatry	Total
2	528A5	Canandaigua (FY02 Base Line)	37,078	13,835	6,122	14,841	71,876
3		Occupancy rate =>	80.0%	94.8%	72.9%	70.1%	79.4%
Workload Re-allocation							
4	528A8	Albany					
5	528A6	Bath	26,280	13,870			40,150
6	528	Buffalo	8,760			8,213	16,973
7	528A4	Batavia Div	8,760		6,500		15,260
8	528A7	Syracuse				8,213	8,213
9		Contract					
10	528A5	Canandaigua					
11		Total	43,800	13,870	6,500	16,426	80,596
12		Change in BDOC	6,722	35	378	1,585	8,720
13		% change in BDOC	18.1%	0.3%	6.2%	10.7%	12.1%

- **Will care be available in the community if it is proposed?**
 - Care in the community is expected to be the exception and the minimal volume that may be needed is expected to be available in the community.

- **How much additional space will need to be constructed?**
 - Approximately 30,000 square feet would need renovations.
 - Approximately 52,000 square feet would need to be leased for re-alignment.
 - Approximately 50,000 to 100,000 square feet would need to be leased for the new Canandaigua clinic.

- **What is the impact on travel time?**
 - There should improved travel time for veterans seeking outpatient care especially in the specialty care areas where Canandaigua region veterans currently travel to Rochester (31.7 miles; 41 min.), Syracuse (68.9 miles; 1hr 15min.) or Buffalo (86.8 miles; 1hr 32 min.).
 - There is a potential additional travel time of up to an hour for some Canandaigua region veterans due to the inpatient realignment.
 - Currently, 19 of the 99 Nursing Home inpatients are from the city of Canandaigua.
 - These patient's and the patient's families impacted by travel time changes will be closely monitored during implementation to minimize the impact. Options of community nursing homes and tele-homecare will be utilized when appropriate.

- **What is the impact on quality?**
 - It is expected to improve the health status and outcome for more veterans, as expanded outpatient capacity is available for Canandaigua region veterans.
 - It is expected that the quality of care for the re-aligned inpatients will be maintained.

- **What is the impact on the community?**
 - As noted by community leaders and the Congressional delegation at the VISN 2 hearing, a significant impact is expected on the community's economy.
 - There could be a loss of 400 to 500 jobs depending on the sizing of the Canandaigua clinic and the number of employees opting to relocate to other VISN 2 sites receiving inpatient workload or to the Rochester clinic.
 - It would be VISN 2's intent to minimize the employee loss through job finding assistance, re-location opportunities and an expectation the entity assuming the property would generate new job opportunities.

- **What is the impact on staffing?**
 - There could be a loss of 400 to 500 out of 700 FTE depending on the sizing of the Canandaigua clinic and the number of employees opting to re-locate to other VISN 2 sites that are receiving inpatient workload or to the Rochester clinic.
 - It would be VISN 2's intent to minimize the employee loss through:
 - job finding assistance,
 - relocation opportunities,
 - early retirement opportunities if legal authority is made available. It is estimated that 11% of Canandaigua campus' work force is retirement eligible and 30% is early retirement eligible.
 - an expectation that the entity assuming the property would generate new job opportunities.

- **What is the impact on research and academic affiliations?**
 - None anticipated.

- **Describe the cost effectiveness of the proposal i.e. the costs, savings and the payback period.**
 - The VACO model projected an average annual savings of \$20.8 million and the VISN 2 internal model projected \$20.5 million.
 - Depending on the divesture of the campus, it is expected that significant cost savings would be realized in the 3rd year of implementation.
 - Per VISN 2's internal estimate, a rough timeline guideline is provided below. It should be noted that numerous implementation decisions would modify these estimates.

Assumption: Assumed worst-case scenario with high cost estimates.

Results of Financial Methodology (VISN 2 Internal Model):

all in millions						
Canandaigua Proposal	Year 1	Year 2	Year 3	Year 4	Year 5	sum
	annual	annual	annual	annual	annual	5 year cumulative
1. Recurring Operating Cost Impacts						
a. Re-alignment of current workload base line	\$0.7	\$4.5	\$4.9	\$5.1	\$5.2	\$20.3
b. Re-alignment of fixed cost structure		-\$15.8	-\$23.2	-\$23.9	-\$24.6	-\$87.5
subtotal	\$0.7	-\$11.3	-\$18.3	-\$18.8	-\$19.4	-\$67.2
2. Capital Cost Impacts						
a. Reduction in Capital Costs	-\$1.2	-\$2.1	-\$2.1	-\$2.1	-\$2.1	-\$9.7
b. Additional Capital Costs to Implement Proposal	\$3.4	\$2.3	\$2.0	\$1.0	\$1.0	\$9.7
subtotal	\$2.2	\$0.1	-\$0.1	-\$1.1	-\$1.1	\$0.0
3. Non-Recurring Operating Cost Impacts						
a. Salary Costs	\$3.1	\$5.6	\$3.1	\$0.5		\$12.2
b. Other Miscellaneous Costs		\$1.3	\$0.1	\$0.1	\$0.1	\$1.6
subtotal	\$3.1	\$6.9	\$3.2	\$0.6	\$0.1	\$13.8
Grand Total	\$5.9	-\$4.3	-\$15.2	-\$19.4	-\$20.5	-\$53.5

Key note for numbers: (positive = additional cost; negative = cost savings)

- **Briefly describe each of the other alternatives considered and the rationale for not selecting them based upon the analysis of the questions listed.**

- **Status Quo:**

Description: No change in capital alignment.

Pros:

- Minimal an impact on VA Canandaigua employment level.
- No significant impact on the Canandaigua community's economy.

Cons:

- Least cost effective option
- Would limit or prevent VISN 2's ability to enhance outpatient care to the veterans of the Finger Lakes area.

- **Original Market Plan:**

Description: Maintain base line workload at current Canandaigua campus with no change in fixed cost structure; Use contracts for projected growth in workload, acute services and expanded specialty care in the Rochester area.

Pros:

- Minimal impact on VA Canandaigua employment level.
- Minimal impact on the Canandaigua community's economy.
- 2nd most cost effective option behind "Contracting Out."

Cons:

- VISN 2 would continue to spend \$20+ million on maintaining a large campus, thus fixed costs are not realigned into direct patient care spending.
- New patients would not be receiving care from VA clinicians as VA takes on the role of a payer rather than a care provider. This is inconsistent with VHA leadership message at National Planning conference. VA is a provider system, not a payer system. VA should not be focusing on paying for care in the community, but rather to provide care.
- The contract rates used in the VACO CARES costing model assumed the local Medicare rate for estimating contracting costs. VISN 2 has reviewed its recent payments made through the 'Fee System' and feels the Medicare rates are understated. Conservative adjustments brings the annual cost savings between the Original Market Plan, Contract Out and Alternative 1 all within \$20 to \$23 million. See Box A & B on future page for computations.

▪ **100% Contracting Out:**

Description: Divest Canandaigua campus and contract out all in-house workload.

Pros:

- Most cost effective option.
- Would maximize VISN 2's ability to enhance outpatient care to the veterans of the Finger Lakes area.

Cons:

- Would cause most significant loss of VA jobs at 700 FTE.
- Would have the greatest impact on the Canandaigua community's economy.
- All patients would not be receiving care from VA clinicians as VA takes on the role of a payer rather than a care provider. This is inconsistent with VHA leadership message at National Planning conference. VA is a provider system, not a payer system. VA should not be focusing on paying for care in the community, but rather to provide care.
- At the VISN 2 hearing, community leaders noted that the Canandaigua community would not be able to provide the many of the specialties required particularly in Mental Health (PTSD, Day Treatment, etc.).
- The contract rates used in the VACO CARES costing model assumed the local Medicare rate for estimating contracting costs. VISN 2 has reviewed its recent payments made through the 'Fee System' and feels the Medicare rates are understated. Conservative adjustments brings the annual cost savings between the Original Market Plan, Contract Out and Alternative 1 all within \$20 to \$23 million. See Box A & B on next page.

Below is VISN 2's estimated impact if contract unit costs were adjusted in the CARES standard model computations.

The conservative contract unit cost adjustments bring the annual savings of the three options within a close range:

- Most Cost Effective: 100% Contract \$23.9 million
- 2nd Most Cost Effective: Alternative 1: \$20.8 million
- 3rd Most cost Effective: Original Market Plan: \$20.2 million

Box A: Unit Cost Comparisons	a.1	a.2	a.3	a.4	a.5	a.6	a.7	a.8
	Medicare (used in VACO Model)	VISN 2 FEE File Unit Cost Estimate		CARES (Medicare) vs. VISN 2 FEE Paid		CARES (Medicare) vs. VISN 2 Adj Contract **		
CARE Planning Category	CARES Contract Unit Cost	Revised Unit Cost per Amount Billed	Revised Unit Cost per Amount Paid	Dollar Difference	% Different	VISN 2 Adjusted Contract Unit Cost	Dollar Difference	% Different
	Note 1	Note 2	Note 2	a.3 - a.1	a.4 / a.1	Note 3	a.6 - a.1	a.7 / a.1
Ancillary/Diagnostic	\$84.41	\$356.26	\$235.41	\$150.99	179%	\$125.00	\$40.59	48%
Mental Health	\$84.50	\$64.25	\$64.10	-\$20.40	-24%	\$65.00	-\$19.50	-23%
Specialty Care	\$125.06	\$478.45	\$227.72	\$102.66	82%	\$150.00	\$24.94	20%
Primary Care	\$75.66	\$130.19	\$61.41	-\$14.25	-19%	\$61.41	-\$14.25	-19%

Box B: Adjusting the Life Cycle Cost Run	Original Market Plan	100% Contract	Alternate 1
VACO Model Run	-\$21,063,402	-\$34,611,768	-\$20,793,284
Adjustment in Contract Unit Costs:			
Ancillary/Diagnostic	\$415,252	\$7,495,585	
Mental Health	\$0	-\$779,833	
Specialty Care	\$624,009	\$4,574,197	
Primary Care	-\$223,021	-\$595,499	
VACO Model Adjustments	\$816,240	\$10,694,450	
VACO Savings Estimate Adjusted	-\$20,247,163	-\$23,917,318	-\$20,793,284

The conservative adjustments (column a.6) to the CARES model contract unit costs, result in the average annual savings to be significantly closer!

Note 1: Per CARES standard costing model. Modifications to the standard contract costs were not allowed for template projections.
 Note 2: Fee data unit is visits. Visits were classified into CARES planning category based on CPT codes within the visit
 Note 3: Assuming that the CPT mix of new workload will have lower cost than historical Fee payments, VISN 2 estimated a lower (more conservative) increase for analysis.

B. Analysis

a. Description of current programs and services environment:

Canandaigua, NY									
Alternate # 1					In 2004 transfer inpatient Psych to Syracuse and Buffalo, transfer the Dom workload to Bath, and the majority of the NHCU workload to Bath, with some workload going to Batavia, and Buffalo. The majority of the outpatient workload will be managed at Rochester, starting in 2004/2005 with a small amount to Bath, Batavia, Buffalo and Syracuse. Some outpatient workload will be contracted in the Canandaigua area.				
Workload or Space Category	ADC	Baseline Wkld (bed, stops)	2012 Projected Wkld (beds, stops)	2022 Projected Wkld (beds, stops)	% to be transferred	Year to begin transfer	End date	Receiving Facility Name	Receiving Facility % contracted out
Inpatient Medicine		580	4.50	3.12	100%	2002		New CBOC	100%
Inpatient Surgery		162	0.52	0.36	100%	2002		New CBOC	100%
Inpatient Psych	57.08	20,851	48.95	43.19	50%	2004		Syracuse	0%
Inpatient Psych	57.08	20,851	48.95	43.19	50%	2005		Buffalo	0%
Inpatient Dom	37.70	13,762	35.82	35.82	100%	2004		Bath	0%
Inpatient NHCU	101.71	43,872	114.19	114.19	18%	2004		Bath	
Inpatient NHCU	101.71	43,872	114.19	114.19	18%	2004		Batavia	
Inpatient NHCU	101.71	43,872	114.19	114.19	18%	2004		Buffalo	
Inpatient NHCU	101.71	43,872	114.19	114.19	10%	2005	2006	New CBOC *	
Inpatient NHCU	101.71	43,872	114.19	114.19	18%	2005		Bath	
Inpatient NHCU	101.71	43,872	114.19	114.19	18%	2006		Bath	
Inpatient PRRTF	21.91	7,998	20.82	20.82	100%	2005		Batavia	
Outpatient Primary Care		44,634.20	81,530.26	63,634.41	10%	2004		Bath	
Outpatient Primary Care		44,634.20	81,530.26	63,634.41	4%	2004		Buffalo	
Outpatient Primary Care		44,634.20	81,530.26	63,634.41	4%	2004		Batavia Div	
Outpatient Primary Care		44,634.20	81,530.26	63,634.41	4%	2004		Syracuse	
Outpatient Primary Care		44,634.20	81,530.26	63,634.41	25%	2005		New CBOC	
Outpatient Primary Care		44,634.20	81,530.26	63,634.41	52%	2005		Rochester	
Outpatient Specialty Care		25,752	68,118.84	54,562.66	10%	2004		Bath	
Outpatient Specialty Care		25,752	68,118.84	54,562.66	4%	2004		Buffalo	
Outpatient Specialty Care		25,752	68,118.84	54,562.66	4%	2004		Batavia Div	
Outpatient Specialty Care		25,752	68,118.84	54,562.66	4%	2004		Syracuse	
Outpatient Specialty Care		25,752	68,118.84	54,562.66	13%	2005		New CBOC	
Outpatient Specialty Care		25,752	68,118.84	54,562.66	65%	2005		Rochester	
Outpatient Mental Health		88,379	87,011.16	86,782.49	19%	2004		Bath	
Outpatient Mental Health		88,379	87,011.16	86,782.49	7%	2004		Buffalo	
Outpatient Mental Health		88,379	87,011.16	86,782.49	7%	2004		Batavia Div	
Outpatient Mental Health		88,379	87,011.16	86,782.49	7%	2004		Syracuse	
Outpatient Mental Health		88,379	87,011.16	86,782.49	20%	2005		New CBOC	
Outpatient Mental Health		88,379	87,011.16	86,782.49	40%	2005		Rochester	
Ancillary & Diagnostics		52,797	73,149.20	61,431.70	9%	2004		Bath	
Ancillary & Diagnostics		52,797	73,149.20	61,431.70	3%	2004		Buffalo	
Ancillary & Diagnostics		52,797	73,149.20	61,431.70	3%	2004		Batavia Div	
Ancillary & Diagnostics		52,797	73,149.20	61,431.70	7%	2004		Syracuse	
Ancillary & Diagnostics		52,797	73,149.20	61,431.70	68%	2005		New CBOC	
Ancillary & Diagnostics		52,797	73,149.20	61,431.70	14%	2005		Rochester	
Research SPACE	N/A		N/A	N/A					
Admin SPACE	N/A		N/A	N/A					
Other SPACE	N/A		N/A	N/A					

* BDOC that we anticipate providing by a contract that would be administered by the new CBOC

The Canandaigua VAMC provides inpatient, outpatient and nursing home care services, as well as specialized mental health services in a wide variety of settings. Specialized services include Alcohol/Drug Rehabilitation, Adult Day Health Care, Day Treatment, Respite, Post-Traumatic Stress Disorder Clinics, Domiciliary, Mental Health Initiative Program, and the Homeless Veterans Program. Behavioral Health practices offer individual and group counseling to veterans, as well as wellness workshops on a variety of topics. The Rochester Outpatient Clinic is affiliated with the Canandaigua VA Medical Center, featuring primary care along with medical, surgical and mental health specialty services. The medical center maintains academic affiliations with the University of Rochester, the State University of New York at Geneseo, Brockport and Oswego, and several other area colleges and universities.

The Bath VAMC is a general medical facility providing hospital, nursing home, domiciliary and outpatient care services. The Bath VAMC provides various levels of care in acute medicine, psychiatry, substance abuse and aftercare, and nursing home care. Primary care services are provided at the Bath facility as well as at Community Based Outpatient Clinics (CBOCs) in Wellsville and Elmira, NY. The domiciliary offers a full range of progressive medical, therapeutic and vocational rehabilitation programs designed to rehabilitate the domiciliary patient to function at the highest level of independence possible. The Medical Center is academically affiliated with the University of Rochester School of Medicine, Tufts University of Dentistry and numerous other schools of nursing and allied health.

The Western New York Health Care System is an integrated health care system providing a full range of patient care services at the Buffalo and Batavia locations. The Buffalo division is a tertiary medical and surgical referral center, providing comprehensive medical, surgical and mental health services, nursing home care and a full range of ambulatory care services. The Buffalo division is the principal referral center for cardiac surgery, cardiology and comprehensive cancer care for Central and Western New York and Northern Pennsylvania. The Batavia division is a geriatric and rehabilitation facility offering nursing home care as well as a PTSD residential rehabilitation unit. Community Based Outpatient Clinics operated by the Buffalo VAMC are located in six locations throughout Western New York. The VA Western New York Health Care System is academically affiliated with the State University of New York at Buffalo School of Medicine and Biomedical Sciences. It is also affiliated with the State University of New York programs in health sciences, including nursing, dentistry, pharmacy, physical and occupational therapy, psychology, social work and health care administration.

The proposed realignment of inpatient services at Canandaigua would move services to sites where like programs already exist. The Nursing Home Care beds would be moved to Bath, Batavia, and Buffalo VAMCs through expansion of the NHCU program that is currently in place at all three locations. The Residential Rehab beds would relocate to the Batavia site and merge with the existing 16-bed program. The 220-bed domiciliary at Bath would be expanded to accommodate an additional 50 beds resulting from the closure of the domiciliary program at Canandaigua. Acute psychiatry beds would be expanded at Buffalo and Syracuse

to replace the beds lost at Canandaigua. All realigned services will continue to be provided in VA facilities with VA staff.

Primary care and specialty outpatient services will continue to be available in the Canandaigua area through a new VA-staffed Community Based Outpatient Clinic. The new CBOC will also offer additional specialty services not currently available at the Canandaigua VAMC, such as ambulatory surgery, a full range of mental health outpatient services and a 24-hour psychiatric evaluation unit.

b. Travel times:

Alternate#1	Canandaigua, NY													
CARES Category (Dom, Specialty Care or N-HCU)	County Name	FY 2012 Workload (EDOC)	Travel time from County to Canandaigua (14424)	Workload to be transferred to Bath	Travel Time from County to Bath (14810)	Workload to be transferred to Batavia	Travel Time from County to Batavia (14020)	Workload to be transferred to New CBOC	Travel Time from County to New Canandaigua CBOC (14424)	Workload to be transferred to Rochester	Travel Time from County to Rochester (14620)	Workload to be transferred to Buffalo	Travel Time from County to Buffalo (14215)	New weighted Travel Time (calculated)
Dom	MONROE (36055)	4,080	52Min	4,080	1Hr 24Min	0	46Min	0	52Min	0	12Min	0	1Hr 11Min	1Hr 24Min
Dom	ONTARIO (36069)	1,884	5Min	1,884	1Hr 10Min	0	1Hr 09Min	0	5Min	0	48Min	0	1Hr 39Min	1Hr 10Min
Dom	ONONDAGA (36067)	1,418	1Hr 28Min	1,418	2Hrs 21Min	0	2Hr 02Min	0	1Hr 28Min	0	1Hr 37Min	0	2Hrs 26Min	2Hrs 21Min
N-HCU	MONROE (36055)	18,288	52Min	0	1Hr 24Min	9,855	46Min	0	52Min	0	12Min	8,433	1Hr 11Min	58Min
N-HCU	ONTARIO (36069)	6,700	5Min	6,700	1Hr 10Min	0	1Hr 09Min	0	5Min	0	48Min	0	1Hr 39Min	1Hr 10Min
N-HCU	WAYNE (36117)	4,555	1Hr 0Min	4,555	1Hr 52Min	0	1Hr 34Min	0	1Hr 0Min	0	56Min	0	1Hr 58Min	1Hr 52Min
Specialty	MONROE (36055)	38,716	52Min	415	1Hr 24Min	1,748	46Min		52Min	34,880	12Min	1,663	1Hr 11Min	12Min
Specialty	ONTARIO (36069)	9,197	5Min	874	1Hr 10Min	0	1Hr 09Min	8,323	5Min	0	48Min	0	1Hr 39Min	5Min
Specialty	WAYNE (36117)	5,968	1Hr 0Min	525	1Hr 52Min	0	1Hr 34Min	5,443	1Hr 0Min	0	56Min		1Hr 58Min	1Hr 0Min
Specialty	SENECA (36099)	2,643	52Min	223	1Hr 43Min	0	1Hr 33Min	2,420	52Min	0	1Hr 08Min		1Hr 58Min	52Min
Specialty	LIVINGSTON (36051)	2,208	53Min	226	51Min	0	1Hr 08Min	1,982	53Min	0	46Min		1Hr 30Min	53Min

Type	Current Access %	New Access %
Primary Care	80	
Acute Care	98	

= VSSC completed

= VSN completed

The impact of the realignment on travel times will be minimal. The change in travel times as reflected in the chart above is deceptive for several reasons. First, the inpatient workload being shifted is for the most part long term care/extended stay workload; patients would not be traveling once admitted to the appropriate bed program. However, families of inpatients may have greater driving times due to relocation of the inpatient beds. Second, the major shifts in specialty workload are related to movement of inpatient workloads; i.e., outpatient specialty visits that support NHCUs and Dom inpatients. For veterans that are being treated as outpatients, the specialty care will still be available in the Canandaigua area through the new full service Community Based Outpatient Clinic. And finally, there are several instances of travel time actually being shorter. For example, Monroe County is projected to generate the highest demand for all inpatient and outpatient services. Relocation of inpatient NHCUs from the Canandaigua VAMC to the Batavia VAMC would reduce travel time by 6 minutes per trip.

c. Current physical condition of the realignment site and patient safety

The Canandaigua VA Medical Center is located in the Finger Lakes region of Western New York. It occupies a campus setting of approximate 144 acres (171 acres noted in Asset valuation AEW) in the Town of Canandaigua, surrounded by residential neighborhoods. There is parking available for approximately 1,000 vehicles. Originally designed to accommodate 1,700 inpatient beds, the Medical Center today has a census of 240 operating beds, supporting Nursing Home Care, Psychiatry, Residential Rehab and Domiciliary programs. The campus is comprised of 48 buildings, 10 of which are designated as patient care buildings. The buildings are connected by a system of tunnels. The average age of the 3-story patient care buildings on the campus is 70-plus years, with most having been constructed in the early to mid 1930's and the remainder in the early 1940's. The majority of the patient care buildings were renovated in the 1980's or early 1990's. Many of the patient care buildings on campus have been determined eligible for inclusion on the National Register of Historic Places. The buildings have been well maintained over the years and meet JCAHO and Life Safety codes. All patient care buildings are handicapped accessible. The inpatient care rooms do not meet current standards for patient privacy. Most rooms are semi-private, with some three-bed rooms and patients share congregate toilet and bathing facilities. There is currently approximately 118,000 square feet of vacant space at Canandaigua out of a total of about 668,000 sq ft. An additional 57,000 sq ft has been identified as underutilized. Two three-story patient care buildings, Building 36 and Building 37, are currently being used as swing space for a construction project. Once renovations on patient care Buildings 3 and 9 are completed, the top two floors of both Buildings 36 and 37 will be vacant.

2001 Baseline Data		Canandaigua, NY						
Facility Name	Campus Acreage	Original Bed Capacity (Beds)	Number of Vacant Bldgs	Number of Occupied Bldgs	Vacant Space (SF)	Average Condition Score	Annual Capital Costs 2004 *	Valuation of Campus (AEW)
Canandaigua, NY	144	1700	0	48	118,193	3.8	\$5,831,511	\$2,100,000
Bath, NY	181	395	0	45	6,503	4.2	\$4,180,133	\$0
Batavia, NY	44	297	6	25	26,592	3.5	\$1,676,543	\$1,100,000
Syracuse, NY	14	488	0	6	45,424	3.7	\$3,810,681	\$15,000,000
Buffalo, NY	14	951	0	8	7,904	3.8	\$6,977,177	\$0

* This is an a standard formula applied based on a GAO & OMB percentage of asset value that should be invested in capital maintenance.

d. Impact considerations:

Capital:

- A majority of the capital costs are related to the Syracuse SCI unit and are not impacted by the Canandaigua campus proposal.
- The Original Market Plan's increased capital costs are not offset by fixed cost savings.
- The increased capital costs in 100% Contract and the Alternative 1 are offset by the fixed cost savings. The recurring out year savings of both options are greater than \$20 million and clearly outweigh the initial non-recurring investments of \$9.8 and \$12.0 million.

Capital Cost Summary		Years 2004-2022		
	Original Market Plan	100% Contract	Alt 1	
Canandaigua				
Capital Costs (Status Quo)				
New Construction	\$0	\$0		\$0
Renovation	\$0	\$0		\$0
TOTAL	\$0	\$0		\$0
Batavia				
Capital Costs (Status Quo)				
New Construction	\$0	\$0		\$0
Renovation	\$262,763	\$525,526		\$2,463,649
TOTAL	\$262,763	\$525,526		\$2,463,649
Bath				
Capital Costs (Status Quo)				
New Construction	\$0	\$0		\$0
Renovation	\$128,966	\$128,966		\$477,046
TOTAL	\$128,966	\$128,966		\$477,046
Buffalo				
Capital Costs (Status Quo)				
New Construction	\$0	\$0		\$0
Renovation	\$0	\$0		\$228,341
TOTAL	\$0	\$0		\$228,341
Syracuse				
Capital Costs (Status Quo)				
New Construction	\$8,515,645	\$8,515,645		\$8,515,645
Renovation	\$771,222	\$641,368		\$363,480
TOTAL	\$9,286,867	\$9,157,013		\$8,879,125
Total All Facilities				
	\$9,678,596	\$9,811,505		\$12,048,161

▪ **Operating costs:**

The Life Cycle costs provide a better representation of the overall financial impact. The average annual life cycle cost savings when compared to the Status Quo option is projected at \$20.8 million.

For Alternative 1:

- The decreased operating costs at Canandaigua relate to the change in fixed cost structure from a large multiple building campus to an outpatient clinic and the realignment of the inpatient workload. The scenario includes increased cost for increased outpatient workload per the CARES projections.
- The increase in operating costs at the other four facilities represents the cost impact of realigning Canandaigua's inpatient workload and workload changes in the CARES workload projections. Note: For Syracuse, the Spinal Cord Injury unit is also included.

NEW Operating Cost Summary VISN 2 - Canandaigua Years 2004-2022

Operating Costs	Status Quo (Plus capital)	Original Market Plan	100% Contract	Alt 1
Canandaigua	\$1,292,152,253	\$1,374,176,005	\$1,105,761,727	\$608,859,941
Batavia	\$377,584,975	\$353,593,374	\$356,183,563	\$449,944,764
Bath	\$771,667,131	\$847,864,496	\$847,895,000	\$1,030,222,038
Buffalo	\$2,519,329,719	\$2,459,360,899	\$2,465,154,606	\$2,693,472,868
Syracuse	\$2,320,228,485	\$2,224,474,520	\$2,240,942,534	\$2,477,193,506
TOTAL	\$7,280,962,563	\$7,259,469,294	\$7,015,937,430	\$7,259,693,117

Original Operating Cost Summary VISN 2 - Canandaigua Years 2004-2022

Operating Costs	Status Quo (Plus capital)	Original Market Plan	100% Contract	Alt 1
Canandaigua	\$1,292,152,263	\$1,339,470,014	\$968,964,257	\$505,815,130
Batavia	\$377,584,978	\$339,360,978	\$339,360,978	\$435,101,065
Bath	\$771,667,124	\$825,328,536	\$845,096,168	\$1,022,295,998
Buffalo	\$2,519,329,722	\$2,441,025,460	\$2,446,697,643	\$2,673,633,584
Syracuse	\$2,320,228,483	\$2,796,738,980	\$2,226,879,843	\$2,467,112,719
TOTAL	\$7,280,962,570	\$7,741,923,968	\$6,826,998,889	\$7,103,958,496

- **Human resources:**

Are other healthcare employers that might offer employment to your clinical staff?

There are numerous other healthcare employers within a 1-hour driving distance including the VA Rochester Outpatient clinic. The VA facilities of Bath, Syracuse, and Buffalo are all within a 1.5-hour drive from the Canandaigua campus. Depending on which direction the employee lives, that driving time could be lower.

Historical turnover rates.

Turnover Rate (attrition) source: VISN 2 HR Reports	Mental Health	Diagnostic & Therapeutic	Geriatrics & Extended Care	Admin Support	Medical & Surgical Care	total
FY03 quarter 3 actual	2.9%	0.0%	2.8%	0.9%	2.7%	1.8%
Projected Annual	6.8%	3.4%	8.3%	5.4%	6.0%	6.1%
HR tracking of High Turnover Positions (FY 2003 quarter 3 Actual)						
ADDICTION THERAPIST						50%
PHYSICIAN ASSISTANT						33%
POLICE OFFICER						9%
PHYSICIAN						5%
NURSE						3%

What is the labor market like in your area (metropolitan areas may experience greater early losses than more rural facilities)?

Due to statewide and national nursing shortages, the nursing positions would be most vulnerable.

The recruitment of psychiatrists may improve by realigning the psychiatric workload to Syracuse since it is located in metropolitan area with medical school affiliation opportunities.

Should you lose disproportionate numbers of provider staff, could the mission of the facility be maintained until the final date of the closure or conversion? At what cost and through what means?

It is expected that the workload re-alignment would be completed more rapidly than staff turnover. If the converse happens, we would be able to provide coverage from other sites or through contract strategies.

What is the distance to the "new site of care"? How likely are employees to commute that distance?

Below is a distance table for the sites receiving the realigned inpatient workload. It should be noted that the new outpatient clinic (approximately 100 FTE) would be located in Canandaigua and enhancement of the Rochester clinic (approximately 25 FTE) would provide employment opportunities.

There would be approximately 200 employment opportunities at facilities receiving the realigned patient workload. VISN 2 Labor representatives testified at the VISN 2 hearing indicated that it was unlikely many employees would choose the option to commute. The 1+ hour commute especially in the winter months would be a major deterrent. It is difficult to assess at this point because it is dependent on how far and in what direction the employees lived from the current campus.

VISN 2 Facility Distance Chart	Distance Driving Time	Distance Driving Time	Distance Driving Time	Distance Driving Time	Distance Driving Time	Distance Driving Time
Excludes Albany: not impacted by CARES proposals	Canandaigua	Rochester	Batavia	Bath	Syracuse	Buffalo
Canandaigua		31.7 miles 41 min	53.4 miles 1 hr.	61.2 miles 1 hr. 15 min.	68.9 miles 1 hr., 15min	86.8 miles 1 hr. 32 min.

Source: Microsoft MapPoint software.

What proportion of staff is likely to be displaced to other VA facilities outside the commuting area? What relocation expenses might be likely to result?

Displaced Canandaigua staff would be provided priority hiring authority within Federal OPM regulations at all VISN 2 facilities. With the workload realignment, we would expect 325 FTE opportunities to arise. This would include approximately 200 FTE to support the inpatient workload realigned to VAMCs within the VISN, 100 FTE to support the new Community Base Outpatient Clinic in the Canandaigua area, and 25 additional FTE to support expanded clinical services at the Rochester OPC. We are expecting minimal relocation expenses since sites are within close proximity.

Would "severance pay" be an issue for any? What might the magnitude of those payments be?

Per review of current staffing, approximately 11% of staff are retirement eligible and 30% are early retirement eligible. If legal authority were provided, early retirement would be provided as an option. VISN 2 had included a worst-case scenario of \$12 million for terminal leave and severance pay based on 700+ employees. Since many (100 to 200) employees may stay on VA payroll, this cost is expected to be less.

Does the current staff mix fit with the needs of the new situation? If not, are there any extraordinary re-training, or recruitment costs that need to be identified?

The clinical staff mix does fit the new situation.

The indirect staff mix does not fit the new situation and would impact 300+ employees. It would be VISN 2's intent to minimize the employee loss through:

- job finding assistance,
- relocation opportunities,
- early retirement opportunities if legal authority is made available
- an expectation that the entity assuming the property would generate new job opportunities.

• Patient care issues and specialized programs:

The Residential inpatient program would be impacted by the realignment. Currently, two of the 25 patients are from the city of Canandaigua, five are from Rochester and the remaining 18 are from other cities. The program serves patient across the VISN and all services will continue to be provided.

The outpatient homeless programs and prosthetics activities will stay at the Canandaigua location.

• Impact on Research and Academic Affairs:

No significant impact is anticipated.

- **Reuse of the Realigned Campus:**

The divesture and reuse of the Canandaigua campus has not been explored. If the proposal were approved, a Finger Lakes Advisory Board would be charged to explore divesture options. A Finger Lakes Advisory Board would be made up of community leaders, veteran service organizations, labor, and Network representatives to oversee the implementation planning and execution process.

VISN 2 had recently explored a veteran low income housing enhanced-use lease but the Community leaders were opposed due to the potential clientele that would be brought to the Canandaigua community.

- Summarize alternative analysis:

VISN 2 - Canandaigua, New York	
Preferred alternative description and rationale:	Alternative 1 - Realignment contained in Draft National CARES Plan. Realignment of Canandaigua inpatient beds to other VISN 2 VAMCs. Opening of a new Community Based Outpatient Clinic in the Canandaigua area, offering a full range of services including Primary Care, Specialty Care, Ambulatory Surgery, Mental Health, and a 24 hour psychiatric observation unit. Divest the current Canandaigua campus. Alternative would result in the savings of several million dollars in overhead costs each year that would be used to support direct patient care.

	Status Quo	Original Market Plan	100% Contract	Alternate # 1
Short Description:	Maintain inpatient beds for NHCU, Res Rehab, Dom and Psych. Provide primary care and some specialty services	Maintain base line workload at Medical Center; contract for projected growth in workload, acute services and expanded specialty care in the Rochester area	Divest campus; contract out all inpatient and outpatient workload	Realign inpatient services with other VISN VAMCs. Open new CBOC in Canandaigua area; expand Rochester CBOC. Divest campus.
Total Construction Costs		\$9,678,596	\$9,811,505	\$12,048,161
NEW Total Construction Costs		\$9,678,596	\$9,811,505	\$12,048,161
Life Cycle Costs	\$7,648,155,466	\$7,189,933,124	\$6,841,959,165	\$7,140,611,202
NEW Life Cycle Costs	\$7,648,155,457	\$7,269,014,217	\$7,025,143,637	\$7,273,876,339
Impact on Access	No change in current practice	Access improved	Access Improved	Access improved
Impact on Quality	None	None	None	None
Impact on Staffing & Community	None	None	All services provided through contract; no VA staff. Community would absorb workload into existing healthcare system	Reduction of current FTEE by approximately 300 positions
Impact on Research and Education	None	None	Loss of all VA Research and Education	Opportunity for Research and Education in full service CBOC
Optimizing Use of Resources	Resources would continue to be spent to maintain excess infrastructure; most expensive alternative	Some savings from contracting out of services; costs of maintaining vacant/underutilized infrastructure remain	Most cost effective alternative IF community has capacity to absorb workload	Savings of several million per year in overhead costs that will be redirected to direct patient care
Support other Missions of VA	N/A	N/A	N/A	N/A