

1. INTRODUCTION

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This report presents the initial results of Booz·Allen & Hamilton s Phase 1 Capital Asset Realignment for Enhanced Services (CARES) study. Phase 1 of CARES is a pilot test of the CARES process in Veterans Integrated Service Network (VISN) 12—the Great Lakes Health Care System. This report presents—

- A review of the current VISN 12 healthcare system including enrollees, healthcare services provided, and current facilities
- Projections of veteran enrollee demand for healthcare services in 2010
- Guiding principles to generate candidate options for service delivery
- Nine specific market-driven Service Delivery Options (SDO) to meet projected demand

- Estimated capital and total costs for meeting the 2010 demand for each option.

The report provides a foundation for the subsequent Phase 1 scoring of options using Veterans Health Administration (VHA)-developed evaluation criteria as well as broader consideration of options by the Department of Veterans Affairs (DVA) and its stakeholders.

1.1 THE CARES PROCESS WAS DEVELOPED IN RESPONSE TO CHANGING HEALTHCARE PRACTICES, VETERANS' DEMOGRAPHICS, AND THE HIGH COST OF MAINTAINING VHA FACILITIES.

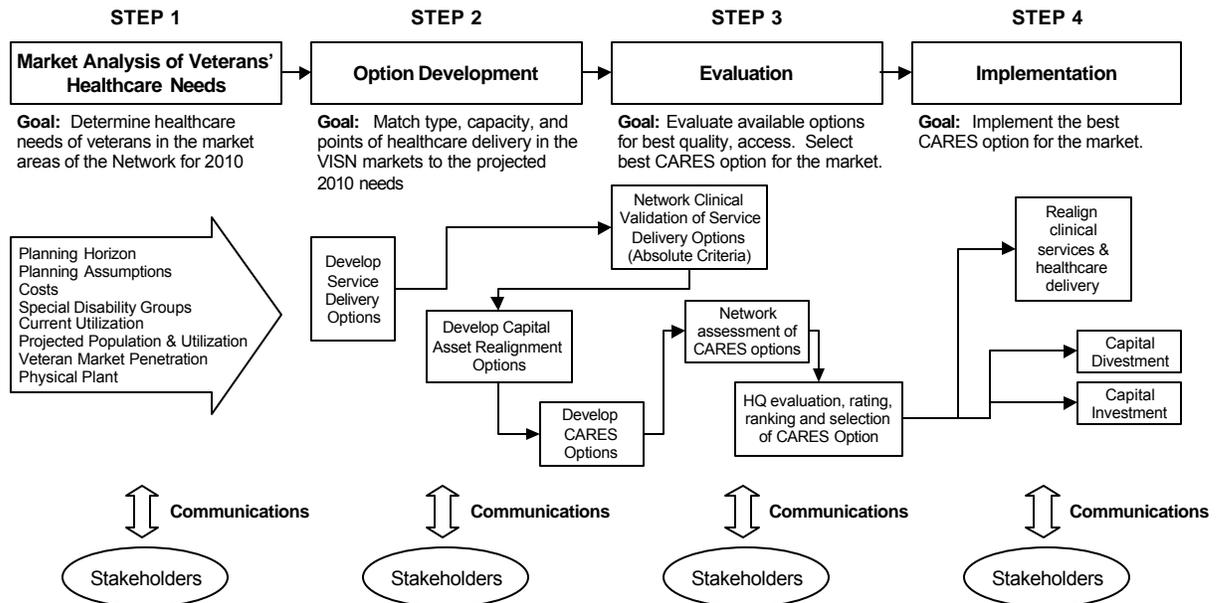
Over the last decade, the VHA has undergone profound changes as it has moved from a hospital-based system of care to an integrated delivery system providing the full continuum of care to veteran patients. New treatment modalities and technologies have changed how and where veterans receive their care, with a significant shift from inpatient to outpatient services. The VHA's infrastructure, however, was designed and built decades ago under a concept of healthcare delivery characterized by hospital-centered inpatient care and long admissions. Furthermore, the aging of the veteran population, shifts in veterans' residency, and legislative initiatives, including the Veterans Health Care Eligibility Reform Act and the Veterans Millennium Health Care Benefits Act, greatly affect the level of services and eligibility of veterans who receive them.

As a result of these factors, VHA's capital assets are infrequently aligned with current or projected healthcare needs and are not located to provide optimal access for veterans. Some VHA facilities have excess capacity while others lack needed space. Additionally, available space is not always configured to meet current medical practice needs. Both VA and Congress have recognized that the VHA healthcare infrastructure designed more than a half century ago will not continue to be satisfactory for patients, providers, or employees. In particular, the cost of operating and maintaining the aging facilities is consuming increasingly greater resources that could be redirected and spent on direct patient care.

1.2 THE BOOZ-ALLEN & HAMILTON PHASE 1 STUDY EFFORT IS ONE COMPONENT OF THE OVERALL CARES PROCESS.

On July 22, 1999, VHA initiated the development of a new planning process called CARES. The impetus for this action was threefold: 1) Response to the trends enumerated in the foregoing paragraphs 2) A March 1999, General Accounting Office (GAO) report concluding that VHA could significantly reduce the funds used to operate and maintain its capital infrastructure by developing and implementing market-based planning for health services and 3) A subsequent Congressional hearing. The CARES process enables an objective review of veterans healthcare facility needs in the context of the projected location of 2010 (and beyond) veteran populations. Exhibit 1-1 outlines this four-step process as defined by VHA.

Exhibit 1-1. VA's CARES Process



1.3 THIS REPORT IS ALSO THE PROTOTYPE FOR DEVELOPING STRATEGIC FACILITIES OPTIONS FOR OTHER VISNS IN THE VHA'S INTEGRATED SERVICE NETWORK.

CARES is chartered to develop, test, and implement a new market-based planning process for the DVA healthcare system. The VHA has developed the CARES process but has not yet field-tested it. Consequently, Booz·Allen & Hamilton was contracted to help implement CARES by first piloting and applying the process on just one VISN (Phase 1). The remaining VISNs are scheduled to develop their facilities' strategic plans in Phases 2 and 3 of the Booz·Allen contract period after refining the CARES process from lessons learned during execution of the VISN 12 study.

1.3.1 VISN 12 was selected as the pilot, with the initial objective of evaluating a prior study and/or developing new options that would meet veterans' healthcare needs in the future.

The purpose of CARES is to ensure that the VHA's capital infrastructure will meet veterans' future needs for healthcare services. CARES uses a year 2010 planning horizon to make an objective assessment of veterans' healthcare needs within each VISN, identify SDOs to meet those needs, and direct the strategic realignment of capital assets and related resources to better serve veterans' needs. Through CARES, each VISN will develop a strategic plan for healthcare services based on objective criteria and analysis. (The full CARES criteria and how the VISN 12 SDOs scored are provided in volume 2 of this report.) CARES will allow VISN capital asset realignment proposals to be evaluated and ranked by VHA using a structured decision methodology. Savings generated from the CARES process should then be available for reinvestment in veterans healthcare.

Specific objectives of CARES are to—

- Assess veteran healthcare needs in each VISN
- Identify SDOs to meet those needs
- Promote strategic realignment of capital assets linked to veterans’ needs
- Improve access, quality, and delivery of care in the most cost-effective manner
- Promote Veterans Benefits Administration (VBA) and National Cemetery Administration (NCA) collocation
- Mitigate the impact of SDOs on staffing, communities, and other VA missions.

The specific objectives for Phase 1 also include testing the CARES process and the evaluation criteria to refine the process for the future phases.

VHA initially envisioned the study as “the application of the CARES evaluation criteria to a previous CARES-like options study.” VHA wanted to use the evaluation criteria to assess options proposed in a 1999 study by AMA Systems, Inc., and McGladrey & Pullen. That study resulted in six different options for healthcare delivery in the Chicago area only. The Booz·Allen study, however, requires a comprehensive review of the entire VISN, which necessarily results in additional option development beyond those of the 1999 study. In addition, an initial review of the original six options found that they would not pass certain VHA-developed Absolute Criteria within the CARES process, so a new set of options were required for the Chicago area as well.

This study presents options—and the supporting and evaluative data needed for VHA to reach a decision—to plan for the future delivery of healthcare. This study examines future directions in healthcare delivery, demographic and demands projections, physical plant condition and capacity, community healthcare capacity, and workforce requirements. The study scope includes identifying the optimal mix of services and resources to meet veterans’ healthcare requirements where they need them. Each option has related impact analyses on the communities, access, medical affiliations, research, other VHA missions, and cost.

Phases 2 and 3 of CARES will use the market-based healthcare planning process for the remaining 21 VISNs. The process for these subsequent phases will be modified based on the lessons learned during the Phase 1 VISN 12 study.

1.3.2 A key product of the VISN 12 study is the development of an objective, repeatable, and data-driven methodology defining a range of healthcare service delivery options and identifying their impact.

On the basis of VHA’s criteria and guidance, Booz·Allen developed a five-step approach (Exhibit 1-2) providing a rational and thorough design for data collection and analyses needed to develop SDOs and support the application of evaluation criteria. Based on the overall CARES

process, the Booz·Allen methodology specifically delineates steps for conducting market analysis of veterans' healthcare needs, developing options to meet those needs, evaluating and implementing those options, and ensuring ongoing communication with stakeholders throughout the process.

Exhibit 1-2. The Five-Step Process

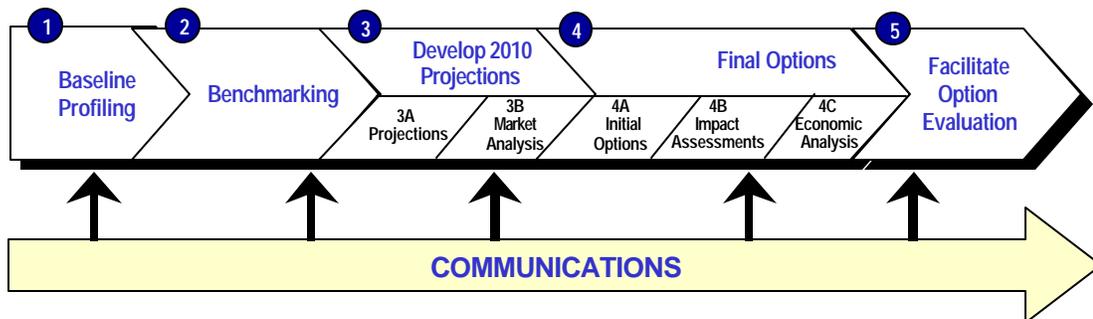
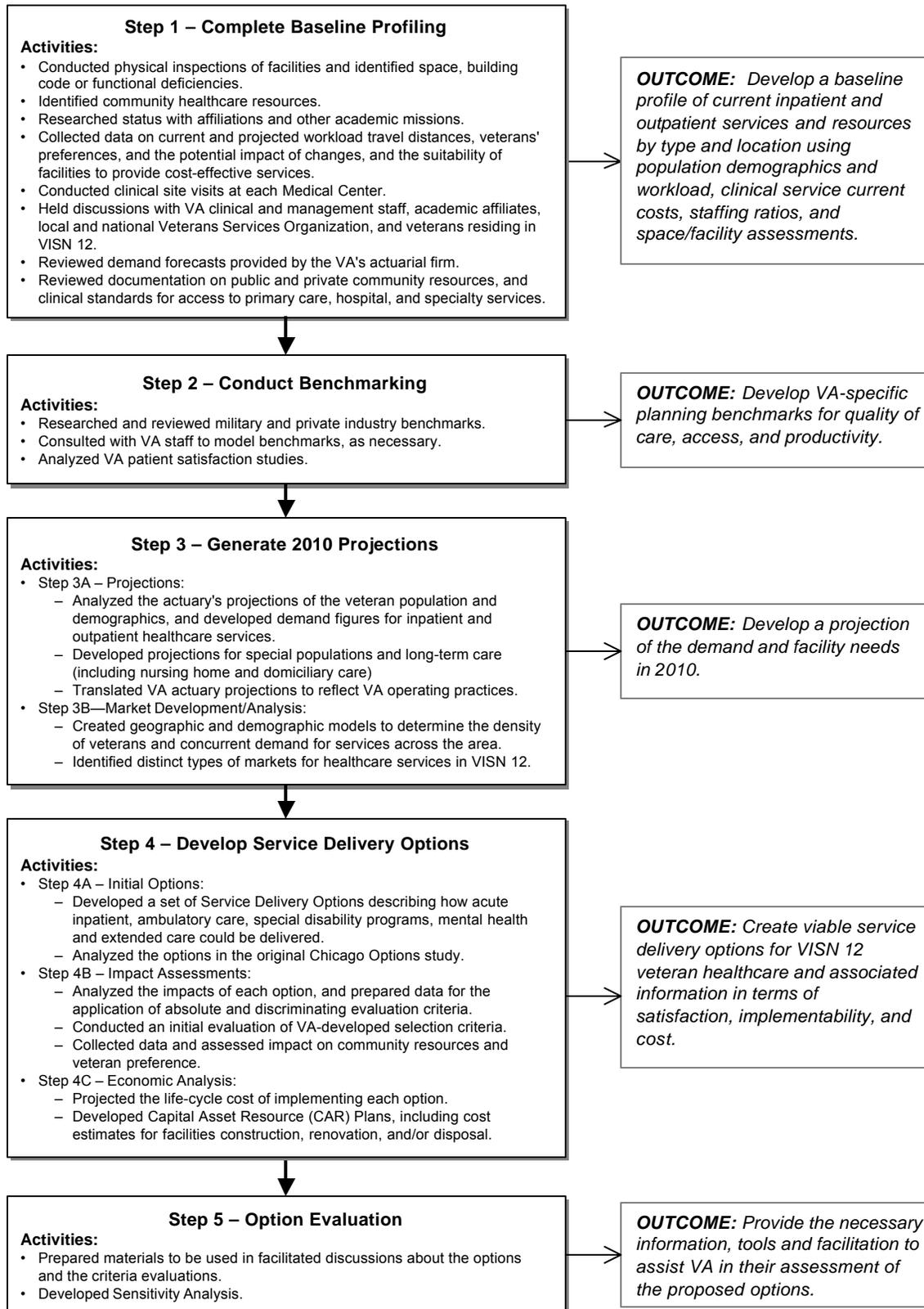


Exhibit 1-3 provides an overview of the objectives and activities performed during each step. Detailed information on the data sources is provided in subsequent chapters of this report.

Communication with all audiences (veterans service organizations [VSO], employees, Congress) occurred throughout the study.

1.3.3 The contribution of subject matter experts from both VA and the Booz·Allen Team ensures the quality and integrity of the VISN 12 study.

The CARES process is led by VA's Undersecretary for Health, who assembled a team of clinical and management staff with expertise in healthcare service delivery, strategic planning, facilities management, financial analysis, and communications. The VA team is managed by the CARES project director, who is supported by the VA National CARES Project Team (NCPT). VA contracted separately with Condor Technology Solutions, Inc., which commissioned Milliman and Robertson, Inc., to provide healthcare demand data in support of CARES. The CARES project director conducts the day-to-day oversight of the project.

Exhibit 1-3. Overview of Objectives and Activities

To effectively manage the CARES study, an organizational structure was developed to recruit staff with the appropriate expertise. The roles of those involved in the CARES study are presented in Exhibit 1-4.

Exhibit 1-4. CARES Study Roles

CARES Participant	Role
VA Secretary	Selects a final option.
Undersecretary for Health	Establishes CARES policy.
VHA CARES Project Director	Oversees CARES project implementation and management.
VHA CARES Steering Committee	Reviews and evaluates CARES Service Delivery Options and recommends a preferred Service Delivery Option.
VHA CARES Project Team	Supports the CARES Project Director with subject matter expertise.
Booz-Allen CARES Team	Conducts a detailed analysis of current and future veterans' healthcare needs and VHA's capability to meet those needs, and develops the CARES Service Delivery Options.
VA Actuary	Provides demand analyses data in support of the CARES initiative.

The Booz-Allen VISN 12 study team consists of staff from Booz-Allen & Hamilton and three sub-contractors: The Bristol Group®; VWInternational, which includes VFA and The Smith Group; and C.B. Richard Ellis. Booz-Allen staff include functional experts in management consulting, healthcare, real property management, and economic analysis, as well as individuals with direct VHA experience. Staff from the Bristol Group®, VWInternational, and C.B. Richard Ellis provide expertise in healthcare demand modeling, facilities design and planning, and real estate and real property assessment and valuation, respectively.

1.3.4 The data required for the VISN 12 study comes from a VA-contracted actuary and existing VA management reports and surveys, as well as Booz-Allen information gathered from extensive on-site visits.

VA directed its actuary contractor to assist in projecting healthcare needs for veterans enrolled within the VA healthcare system through FY 2010. VA also supplied data collected from the Space and Functional Survey, and Facility Condition Assessment for VISN 12.

Booz-Allen identified additional data to develop and analyze SDOs for VISN 12 and submitted extensive information requests to the VISN and VHA Headquarters. Other information, including private sector data, was gathered independently through a variety of sources including state health departments, the Dartmouth Atlas, the Health Care Financing Administration, the U.S. Bureau of the Census, geographic information systems, and professional associations.

Booz-Allen also conducted both service and facility site visits to discuss the CARES process, collect and validate data, and gain local insight in support of formulating the initial SDOs. All hospitals in

VISN 12 were visited to gather information from medical center management, clinicians, chief engineers, quality management, and administrative services. Town hall meetings were held at the VISN and each medical center in VISN 12 with employees. Other meetings were conducted with external stakeholders, such as medical school officials, local VSOs, VBA, and NCA. Additionally, Booz·Allen collected patient preference and community information through VISN-wide and community telephone surveys. The primary sources and uses of data are documented throughout the individual chapters of the report.

1.4 PHASE 1 WILL CONTINUE WITH SIGNIFICANT OPPORTUNITIES FOR STAKEHOLDER INPUT.

VHA will be undertaking several efforts in the near future. One is moving toward the selection of an SDO for VISN 12. For this effort, Booz·Allen will assist VHA in applying the VHA-developed Absolute and Discriminating Evaluation Criteria to the set of SDOs proposed for VISN 12. VHA will then seek stakeholder input on the options during a 60-day public comment period. Concurrently, VHA will evaluate the CARES process and refine it to move to Phases 2 and 3, during which additional VISNs will be studied.

When VHA determines the overall capital asset strategy for delivering healthcare services in VISN 12, it will need to develop the necessary facility and capital investment plans. Those exceeding the established cost or interest thresholds must be submitted to VA's Capital Investment Board for review and approval for budget submission. At that time, detailed implementation plans must be developed.

Appendix D provides more detailed information regarding stakeholder communication to date.