VA Recommendations to the

ASSET AND INFRASTRUCTURE REVIEW COMMISSION

March 2022

VISN 23

Market Recommendations

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VISN 23 Minnesota East Market

The Veterans Integrated Service Network (VISN) 23 Minnesota East Market serves Veterans in eastern Minnesota and parts of western Wisconsin, with most enrollees concentrated in the Minneapolis area. The recommendation includes justification for the proposed action, the results of the cost benefit analysis, and an overview of how the market recommendation is consistent with the MISSION Act Section 203 selection criteria.[1]

VA's Commitment to Veterans in the Minnesota East Market

The Department of Veterans Affairs (VA) is committed to providing equitable Veteran access to safe and high-quality care and services in VISN 23's Minnesota East Market. We will operate a high-performing integrated delivery network that provides access to VA care, supplemented by care provided by Federal partners, academic affiliates, and community providers.

Based on substantial data analysis, interviews with VISN and VA medical center (VAMC) leaders, consultation with senior VA leadership, and the input received from Veterans and stakeholders, VA has developed a recommendation designed to ensure that Veterans today and for generations to come have access to the high-quality care they have earned. The recommendation also makes sure that VA continues to execute on its additional missions: education and training, research, and emergency preparedness. As VA considers implementing any recommendation approved by the Asset and Infrastructure Review (AIR) Commission, implementation will be carefully sequenced so that facilities or partnerships to which care will be realigned are fully established before the proposed realignment occurs.

Market Strategy

Enrollees in the Minnesota East Market are projected to decrease. While demand for inpatient medical and surgical care is projected to decrease, demand for inpatient mental health, long-term care, and outpatient services is projected to increase. With a large enrollee base centered in the Minneapolis-St. Paul metropolitan area, the Minnesota East Market strategy intends to sustain VA's tertiary[2] hospital mission at the Minnesota VAMC while expanding outpatient specialty care services in existing clinic facilities to improve Veteran access. The market strategy is intended to provide Veterans today and in the future with access to high-quality and conveniently located care in modern infrastructure. Key elements of the strategy are described below:

- **Provide equitable access to outpatient care through modern facilities close to where Veterans live and through the integration of virtual care:** VA's recommendation maintains sustainable outpatient sites and reclassifies four existing community-based outpatient clinics (CBOCs) (Maplewood, Chippewa Valley, Rochester, and Shakopee) to multi-specialty community-based

[1] Please see the Volume II Reading Guide for more information concerning the purpose of each Market Recommendation section and key definitions.

[2] Highly specialized medical care that involves advanced and complex procedures and treatments performed by medical specialists in state-of-the-art facilities.

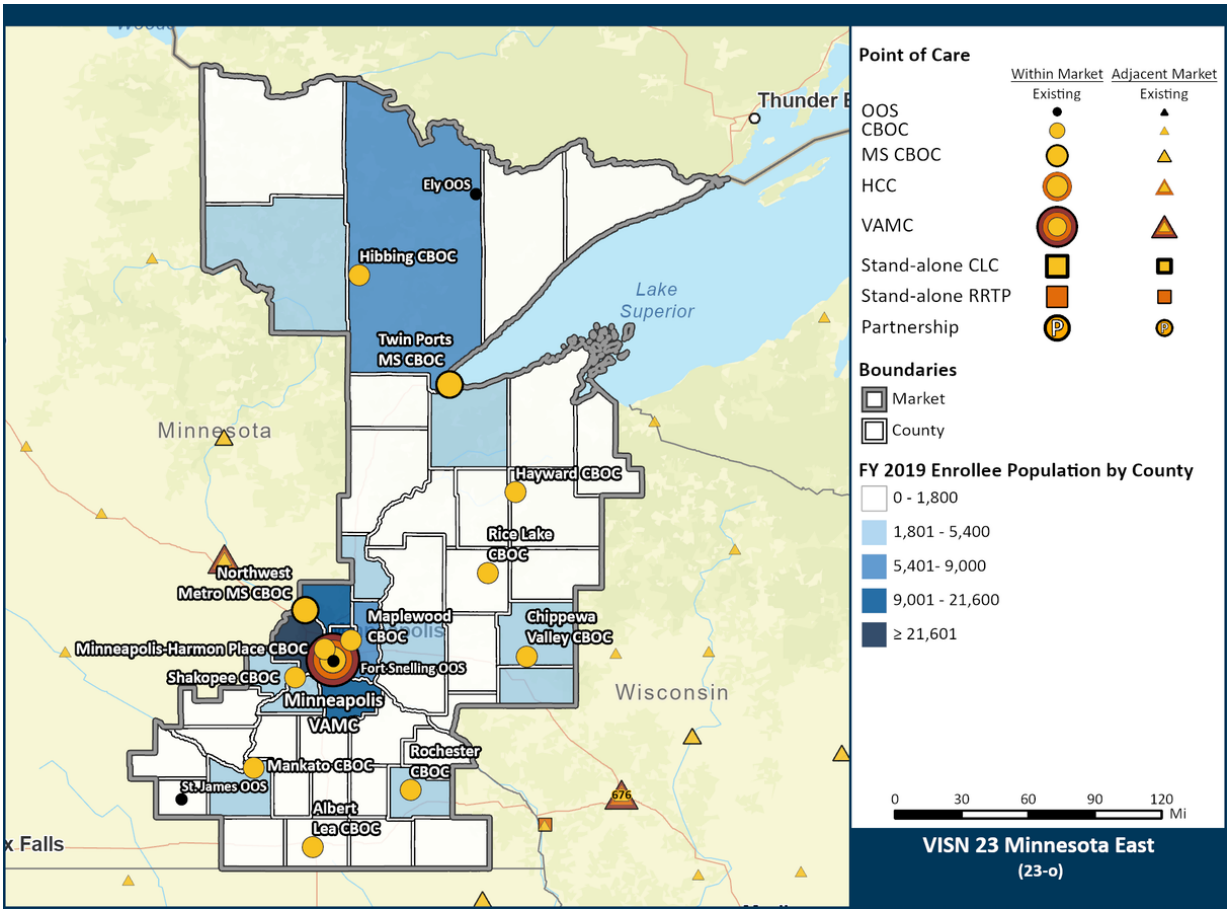
outpatient clinics (MS CBOCs), offering primary care, mental health, and specialty care services to better distribute care and decompress existing facilities.

- **Enhance VA's unique strengths in caring for Veterans with complex needs:** VA's recommendation maintains inpatient mental health services, community living center (CLC) services, and spinal cord injuries and disorders (SCI/D) services within the Minneapolis VAMC. The residential rehabilitation treatment program (RRTP) will continue to be supplied through neighboring markets in VISN 23, primarily the St. Cloud VAMC. Inpatient blind rehabilitation services will be provided through regional centers, including the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Provide equitable access to quality inpatient medical and surgical care through the optimized use of care delivered in VA facilities and through partnerships, community providers, and virtual care:** VA's recommendation maintains sustainable programs within the Minneapolis VAMC to provide tertiary-level inpatient medical and surgical care.

Market Overview

The market overview includes a map of the Minnesota East Market, key metrics for the market, and select considerations used in forming the market recommendation.

Market Map



Note: A partnership is a strategic collaboration between VA and a non-VA entity.

Facilities: The market has one VAMC (Minneapolis), ten CBOCs, two MS CBOCs, and three other outpatient services (OOS) sites.

Enrollees: In fiscal year (FY) 2019, the market had 119,927 enrollees and is projected to experience a 6.0% decrease in enrolled Veterans by FY 2029. The largest enrollee populations are in the counties of Hennepin, Dakota, and Ramsey, Minnesota.

Demand: Demand[3] in the market for inpatient medical and surgical services is projected to decrease by 7.9% and demand for inpatient mental health services is projected to increase by 8.4% between FY 2019 and FY 2029. Demand for long-term care[4] is projected to increase by 56.8%. Demand for all outpatient

[3] Projected market demand for inpatient medical and surgical services is based on VA's Enrollee Health Care Projection Model (EHCPM) in bed days of care (BDOC).
[4] Projected market demand for inpatient Long-Term Services and Supports (LTSS) is based on VA's EHCPM in BDOC.

services,[5] including primary care, mental health, specialty care, dental care, and rehabilitation therapies, is projected to increase.

Rurality: 41.3% of enrollees in the market live in rural areas compared to the VA national average of 32.5%.

Access: 74.8% of enrollees in the market live within a 30-minute drive time of a VA primary care site and 60.5% of enrollees live within a 60-minute drive time of a VA secondary care site.

Community Capacity: As of 2019, community providers[6] in the market within a 60-minute drive time of the VAMC had an inpatient medical and surgical occupancy rate[7] of 70.2% (574 available beds)[8] and an inpatient mental health occupancy rate of 77.1% (12 available beds). Community nursing homes within a 30-minute drive time of the VAMC were operating at an occupancy rate of 84.9% (510 available beds). Community residential rehabilitation programs[9] that match the breadth of services provided by VA are not widely available in the market.

Mission: VA has academic affiliations in the market that include the Mayo Clinic and University of Minnesota. The Minneapolis VAMC is ranked 29 out of 154 training sites based on the number of trainees and is ranked 18 out of 103 VAMCs with research funding. The Minneapolis VAMC is a Primary Receiving Center.[10]

Facility Overview

Minneapolis VAMC: The Minneapolis VAMC is located in Minneapolis, Minnesota, and offers inpatient medical and surgical care, inpatient mental health, inpatient rehabilitation medicine, CLC, SCI/D, and outpatient services. In FY 2019, the Minneapolis VAMC had an inpatient medical and surgical average daily census (ADC) of 105.6, an inpatient mental health ADC of 19.4, an inpatient rehabilitation medicine ADC of 18.0, a CLC ADC of 60.4, and a SCI/D ADC of 20.9.

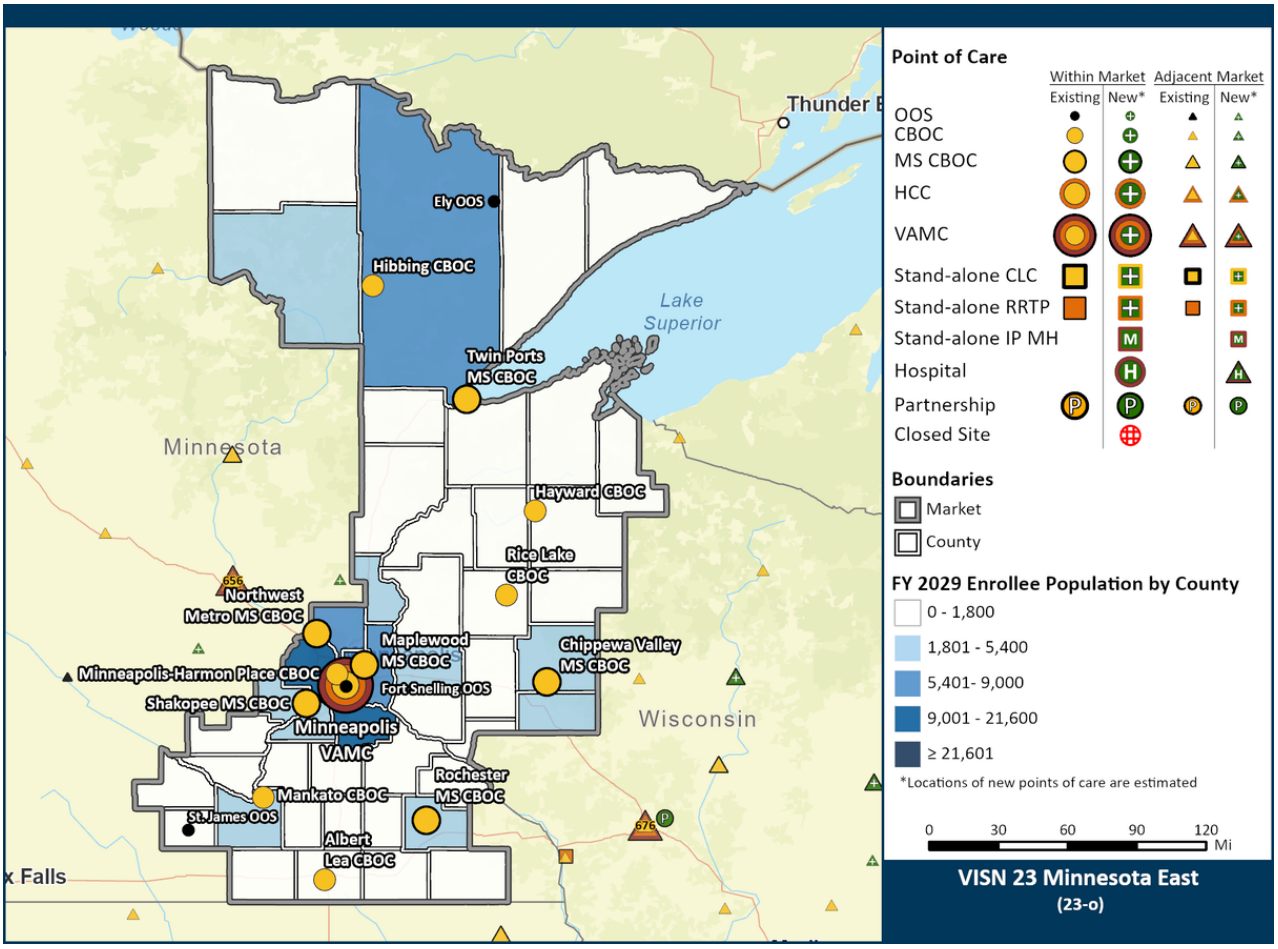
The Minneapolis VAMC was built in 1985 on 113.0 acres. Facility condition assessment (FCA) deficiencies are approximately $142.9M, and annual operations and maintenance costs are an estimated $20.3M.

[5] Projected market demand for outpatient services is based on VA's EHCPM in relative value units (RVUs).
[6] Community providers include Veterans Community Care Program (VCCP) providers and potential VCCP providers.
[7] Occupancy rates are calculated by dividing the total average daily census (ADC) by the total number of operating beds. Beds at hospitals or nursing homes above the target occupancy rates are excluded.
[8] Available beds in the community are estimated using a target occupancy rate of 80% for hospitals and 90% for community nursing homes.
[9] Includes community residential rehabilitation programs similar to VA's RRTP, blind rehabilitation, and rehabilitative SCI/D services.
[10] VAMCs participating in the National Disaster Medical System are designated as Federal Coordinating Centers. Select Federal Coordinating Centers are also designated as Primary Receiving Centers.

Recommendation and Justification

This section details the VISN 23 Minnesota East Market recommendation and justification for each element of the recommendation.

Future Market Map



1. ***Modernize the inpatient medical and surgical services space at the Minneapolis VAMC:*** The Minneapolis VAMC is a well-located tertiary and academic medical center, originally constructed in 1985 that has many unrenovated inpatient bed units. It has $142.9M in FCA deficiencies. In FY 2019, the Minneapolis VAMC had a total ADC of 224.3, including 105.6 for inpatient medical and surgical care. Demand for inpatient medical and surgical care is projected to decrease to an ADC of 96.3 by FY 2029. As of FY 2019, there were 75,668 enrollees within 60-minutes of the Minneapolis VAMC. The hospital building has aged and has shared inpatient rooms that do not support infection control precautions or other patient-specific needs that require the patient be placed in a single-patient room. When patients must be placed in single occupancy for medical necessity, beds go unused in shared rooms and overall capacity and occupancy decline unnecessarily. Additionally, shared rooms negatively impact patient satisfaction. Some beds have been modernized; however, all bed units should be modernized to meet the single bedroom VA standard of care.

Complementary Strategy

In addition to the recommendation submitted for AIR Commission approval, VA also anticipates implementing a complementary strategy that supports a high-performing integrated delivery network:

Minnesota East Market

- **Expand telehealth primary care and outpatient mental health access in remote rural areas:** Establishing additional telehealth access in rural areas will strengthen the VA's capability to care for Veterans who experience long travel times to VA sites of care. Internet access in rural areas has continued to expand, which creates new opportunities for the VA to connect with Veterans in their homes. In areas where internet access remains challenging, VA may also explore opportunities to provide telehealth connectivity in community spaces, if appropriate patient accommodations can be met on site. Potential sites may include Veterans Service Organizations (VSO), State Veterans Homes, County Veteran Service Offices, critical access hospitals or community clinics.
- **Add specialty care services to the Maplewood CBOC, which may result in the classification of the facility as an MS CBOC:** Core uniques[11] at the Maplewood CBOC were 7,659 in FY 2019, and community care outpatient specialty care authorizations increased for Ramsey County, where the Maplewood CBOC is located. The Maplewood CBOC, while close to the Minneapolis VAMC, has 75,933 enrollees within a 60-minute drive time. Expanding outpatient specialty care services at the Maplewood CBOC will improve geographic access to Veterans and decompress the Minneapolis VAMC.
- **Add physical therapy services to the Shakopee CBOC, which may result in the classification of the facility as an MS CBOC:** Physical therapy is in the top five community care authorizations by volume, and market-wide demand for physical therapy services is projected to significantly increase. The Shakopee CBOC, while close to the Minneapolis VAMC, has 71,362 enrollees within a 60-minute drive time, and would improve geographic access to Veterans and decompress the Minneapolis VAMC.
- **Expand the Northwest Metro MS CBOC. Utilize additional space to expand capability and capacity for high-demand outpatient specialty care and outpatient surgery clinic operations:** In FY 2019, the Northwest Metro MS CBOC had 9,728 core uniques and 77,525 enrollees within a 60-minute drive time. Demand for ambulatory medical and surgical specialties in the Minnesota East Market is projected to increase. Joint planning between the Minnesota East and Minnesota Central markets for the area along the I-94 corridor will increase access and optimize outpatient specialty and outpatient surgery services delivery.
- **Add physical therapy services to the Northwest Metro MS CBOC:** Physical therapy is in the top five community care authorizations by volume, and market-wide demand for physical therapy services is projected to significantly increase. The Northwest Metro MS CBOC has 77,525 enrollees within a 60-minute drive time, making it suitable for adding these services.

[11] VA core unique patients exclude Veterans who have used only VA telephone triage, pharmacy, and laboratory services.

- **Expand outpatient specialty care services at the Twin Ports MS CBOC:** The Twin Ports MS CBOC is located in the northern part of the market and is well outside of the 60-minute drive time access criteria for a number of specialty services. Core uniques and community care outpatient specialty care authorizations are increasing. There are 8,386 enrollees within a 60-minute drive time. Expanding outpatient specialty care services at the Twin Ports MS CBOC would improve geographic access to Veterans for these services.
- **Expand outpatient specialty care services at the Chippewa Valley CBOC, which may result in the classification of the facility as an MS CBOC:** The Chippewa Valley CBOC has 11,089 enrollees within a 60-minute drive time, and there is no other VA site of care with outpatient specialty care services within 60 minutes of the Chippewa Valley CBOC. The addition of outpatient specialty care services to the Chippewa Valley CBOC will improve access for Veterans.
- **Add physical therapy services to the Rochester CBOC, which may result in the classification of the facility as an MS CBOC:** Physical therapy is in the top five community care authorizations by volume, and market-wide demand for physical therapy services is projected to significantly increase. The Rochester CBOC has 12,102 enrollees within a 60-minute drive time, making it suitable for adding physical therapy services.
- **Establish a dementia unit within the existing CLC at the Minneapolis VAMC in coordination with the St. Cloud VAMC:** There is a shortage of skilled nursing facility dementia care capacity within the community, and the current CLC is not designed or resourced to provide dementia care. In FY 2019, 56.9% of market enrollees were over 65 years old. The demand for nursing home (CLC) services in the market currently exceeds VA in-house supply by over 275 beds and is projected to exceed VA in-house supply by over 480 beds by FY 2029.

Cost Benefit Analysis

The Cost Benefit Analysis (CBA) evaluated the costs and benefits of three courses of action (COAs) for the VISN 23 Minnesota East Market: Status Quo, Modernization, and VA Recommendation. Status Quo includes costs associated with FCA deficiencies and represents no significant change in capital and operational costs. Modernization seeks to modernize all existing health care infrastructure. The VA Recommendation implements the market recommendation and seeks to modernize any remaining health care infrastructure.

- **Costs:** The present value cost[12] over a thirty-year period was calculated for each COA, inclusive of capital and operational costs. The capital cost includes costs associated with construction of new facilities, modernization of current facilities, leases, land acquisition, and demolition. VA operational cost includes direct costs (e.g., medical service costs), indirect costs (e.g., administrative costs), and VA special direct costs (e.g., suicide prevention coordinators). Non-VA care costs include direct costs (e.g., payments for patient care), indirect costs (e.g., care coordination), overhead costs (e.g., national program costs), and administrative per member per month costs (e.g., third party administration of the Community Care Network).

[12] The present value cost is the current value of future costs discounted at the defined discount rate.

- **Benefits:** Benefits were evaluated based on five key domains: Demand and Supply, Access, Facilities and Sustainability, Quality, and Mission.

The CBA leveraged both the costs and benefits to generate the Cost Benefit Index (CBI) – a simple metric used to compare the costs and benefits associated with each COA. The COA with the lowest CBI is the preferred COA. The results of the CBA for the VISN 23 Minnesota East Market are provided in the following table. For more detailed information on the market CBA, please see Appendix H.

VISN 23 Minnesota East Market	Status Quo	Modernization	VA Recommendation
Total Cost	$25,127,478,077	$26,657,530,542	$26,874,142,139
Capital Cost	$752,008,002	$2,282,060,467	$2,498,672,064
Operational Cost	$24,375,470,075	$24,375,470,075	$24,375,470,075
Total Benefit Score	9	11	14
CBI (normalized in $B)	**2.79**	**2.42**	**1.92**

Note: Operational costs are shifted from VA to non-VA care only when a service line is relocated in totality to non-VA care at the parent facility level. Total cost is a sum of operational and capital costs rounded to the nearest dollar.

Section 203 Criteria Analysis

This section provides an overview of how this market recommendation is consistent with the Section 203 decision criteria as required by the MISSION Act. For more detailed information, please see Appendix I.

Demand

This recommendation is consistent with the Demand criterion, aligning VA's high-performing integrated delivery network resources to effectively meet the future health care demand of the Veteran enrollee population with the capacity in the market.

- **Summary:** Following implementation of the recommendation, the capacity available through VA facilities and community providers would be able to support 100% of the projected enrollee demand.
- **Outpatient:** Outpatient demand will be met through 16 VA points of care offering outpatient services, including the Maplewood, Minnesota MS CBOC; Chippewa Valley, Wisconsin MS CBOC; Rochester, Minnesota MS CBOC; and Shakopee, Minnesota MS CBOC; as well as community providers in the market.
- **CLC**: Long-term care demand will be met through the Minneapolis, Minnesota VAMC, as well as community nursing homes.

The recommendation ensures that projected demand for SCI/D, RRTP, and blind rehabilitation is sufficiently met through VA-only capacity in the respective VISN or blind rehabilitation region.

- **SCI/D:** Demand for inpatient SCI/D will be met through the SCI/D Hub at the Minneapolis, Minnesota VAMC.
- **RRTP:** RRTP demand will be met through the facilities within VISN 23 offering RRTP, including the Grand Island, Nebraska VAMC; Omaha, Nebraska VAMC; Des Moines, Iowa VAMC; St. Cloud, Minnesota VAMC;

Demand

proposed new Rapid City, South Dakota VAMC; proposed new stand-alone RRTP in Iowa City, Iowa; and proposed new RRTP at the Fargo, North Dakota VAMC.

- **Blind rehabilitation:** Inpatient blind rehabilitation demand will be met through the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Inpatient acute:** Inpatient medicine, surgery, and mental health demand will be met through the Minneapolis, Minnesota VAMC, as well as through community providers.

Access

This recommendation is consistent with the Access criterion, maintaining or improving Veteran access to care in the market and providing Veterans the opportunity to choose the care they trust throughout their lifetime. The Access criterion evaluates enrollee access to care in the current and proposed future state across multiple service lines. It is evaluated for both the overall enrollee population as well as for specific subpopulations of enrollees that traditionally face barriers in receiving appropriate care, including minority enrollees, enrollees over 65, women enrollees, rural enrollees, and enrollees living in disadvantaged neighborhoods. Below are the access results for both primary care and specialty care among the overall enrollee population.

- **Access to primary care:** Following implementation of the recommendation, the number of enrollees within 30 minutes of primary care available through VA facilities and community providers is projected to be maintained, with 105,020 enrollees within 30 minutes of primary care in the future state.
- **Access to specialty care:** Following implementation of the recommendation, the number of Veterans within 60 minutes of specialty care available through VA facilities and community providers is projected to be maintained, with 105,486 enrollees within 60 minutes of specialty care in the future state.

Mission

This recommendation is consistent with the Mission criterion, providing for VA's second, third, and fourth health related statutory missions of education, research, and emergency preparedness.

- **Education:** The recommendation for this market supports VA's ability to maintain its education mission in VISN 23. The recommendation allows for continued relationships with key academic partners, including but not limited to, the affiliation with the University of Minnesota.
- **Research:** This recommendation does not impact the research mission in the market and allows the Minneapolis, Minnesota VAMC to maintain the current research mission.
- **Emergency preparedness:** This recommendation maintains VA's ability to execute its emergency preparedness mission; the Minneapolis, Minnesota VAMC will maintain its status as a Primary Receiving Center.

Quality

This recommendation is consistent with the Quality criterion, considering the quality and delivery of health care services available to Veterans in the market, including the experience, safety, and appropriateness of care.

- **Quality among providers:** The recommendation ensures that all providers included within the high-performing integrated delivery network meet the established quality standards by provider type (outlined in Appendix E).
- **Quality improvements through new infrastructure:** Quality is improved through the modernization of the inpatient medical and surgical patient rooms at the Minneapolis, Minnesota VAMC. This new infrastructure will aid in improving the patient experience with care delivery provided in modern spaces and aid in the recruitment of staff with facilities offering the latest technology.
- **Promoting recruitment of top clinical and non-clinical talent:** The recommendation maintains VA's academic and non-academic partnerships, which supports the recruitment and retention of top clinical and non-clinical talent.

Cost Effectiveness

This recommendation is consistent with the Cost Effectiveness criterion, providing a cost-effective means by which to provide Veterans with modern health care. The Cost Effectiveness criterion was assessed through a CBA summarized in the CBA section and detailed in Appendix H.

- **CBI**: The CBI is the primary metric for cost effectiveness. The CBI for the VA Recommendation COA is lower than the Status Quo COA (1.92 for VA Recommendation versus 2.79 for Status Quo), indicating that the VA Recommendation is more cost-effective than the Status Quo.

Sustainability

This recommendation is consistent with the Sustainability criterion, creating a sustainable health care delivery system for Veterans. It ensures that the health care delivery system proposed for the market is aligned with future demand, allowing it to sustainably operate and provide a safe and welcoming health care environment that meets modern health care standards.

- **Aligns investment in care and services with projected Veteran care needs:** All facilities in the future state of this market meet the minimum demand threshold to support sustainable services.
- **Sustainability improvements through new infrastructure:** Within this recommendation, sustainability is improved through the modernization of the inpatient medical and surgical patient rooms at the Minneapolis, Minnesota VAMC. This new infrastructure modernizes VA facilities to include state-of-the-art equipment that will aid in the recruitment of providers and support staff.
- **Reflects stewardship of taxpayer dollars:** While the cost of the market recommendation is more than the cost to modernize facilities in the market today ($26.9B for VA Recommendation versus $26.7B for Modernization), there are benefits realized through the market recommendation in at least one of the five domains assessed by the CBA that are not realized through the modernization approach. As a result, the CBI score for the VA Recommendation COA is lower than the Modernization COA (1.92 for VA Recommendation versus 2.42 for Modernization), reflecting effective stewardship of taxpayer dollars.

VISN 23 Minnesota Central Market

The Veterans Integrated Service Network (VISN) 23 Minnesota Central Market serves Veterans in central Minnesota and the area northwest of Minneapolis, Minnesota. The recommendation includes justification for the proposed action, the results of the cost benefit analysis, and an overview of how the market recommendation is consistent with the MISSION Act Section 203 selection criteria.[13]

VA's Commitment to Veterans in the Minnesota Central Market

The Department of Veterans Affairs (VA) is committed to providing equitable Veteran access to safe and high-quality care and services in VISN 23's Minnesota Central Market. We will operate a high-performing integrated delivery network that provides access to VA care, supplemented by care provided by Federal partners, academic affiliates, and community providers.

Based on substantial data analysis, interviews with VISN and VA medical center (VAMC) leaders, consultation with senior VA leadership, and the input received from Veterans and stakeholders, VA has developed a recommendation designed to ensure that Veterans today and for generations to come have access to the high-quality care they have earned. The recommendation also makes sure that VA continues to execute on its additional missions: education and training, research, and emergency preparedness. As VA considers implementing any recommendation approved by the Asset and Infrastructure Review (AIR) Commission, implementation will be carefully sequenced so that facilities or partnerships to which care will be realigned are fully established before the proposed realignment occurs.

Market Strategy

Enrollees in the Minnesota Central Market are projected to decrease slightly, while demand for inpatient and outpatient services is projected to increase. The market strategy is focused on improving geographic access to outpatient care and modernizing the St. Cloud VAMC to ensure long-term sustainability of its services, especially its highly regarded regional-level residential rehabilitation and treatment program (RRTP). The market strategy is intended to provide Veterans today and in the future with access to high-quality and conveniently located care in modern infrastructure. Key elements of the strategy are described below:

- **Provide equitable access to outpatient care through modern facilities close to where Veterans live and through the integration of virtual care:** VA's recommendation maintains sustainable outpatient sites and invests in two additional CBOCs in Cambridge, Minnesota and Litchfield, Minnesota, offering primary care and mental health services to better distribute care and decompress existing facilities. VA's recommendation also reclassifies one community-based outpatient clinic (CBOC) as an other outpatient services (OOS) site.

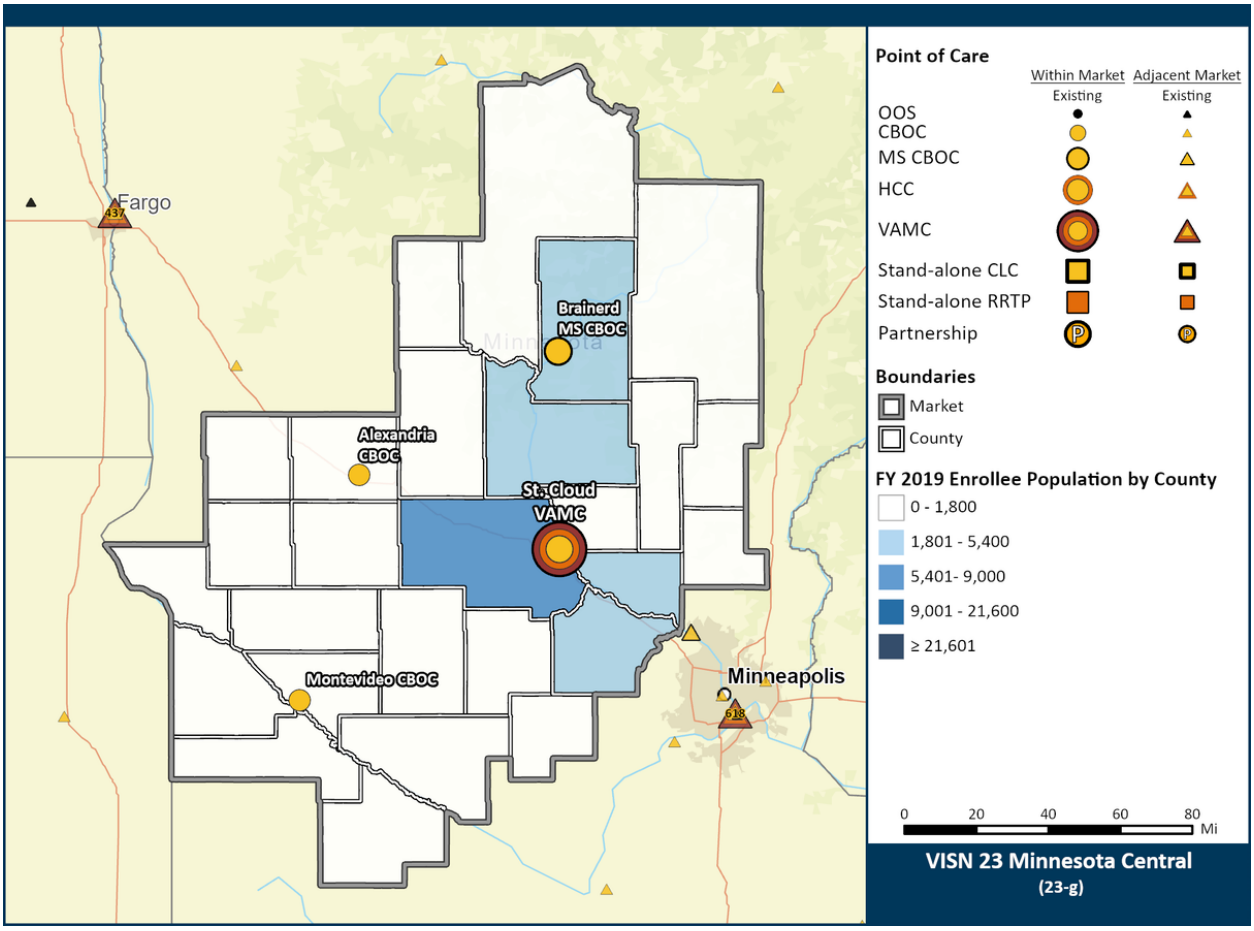
[13] Please see the Volume II Reading Guide for more information concerning the purpose of each Market Recommendation section and key definitions.

- **Enhance VA's unique strengths in caring for Veterans with complex needs:** VA's recommendation maintains inpatient mental health services within the St. Cloud VAMC, invests in modern community living center (CLC) facilities to maintain care for Veterans with the most complex needs, and invests in modern RRTP facilities to provide comprehensive care that may not be readily available in the community. Inpatient spinal cord injuries and disorders (SCI/D) and blind rehabilitation are regional services. Inpatient SCI/D services will be provided at the Minneapolis, Minnesota VAMC. Inpatient blind rehabilitation services will be provided through the regional centers, including the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Provide equitable access to quality inpatient medical and surgical care through the optimized use of care delivered in VA facilities and through partnerships, community providers, and virtual care:** VA's recommendation in St. Cloud, Minnesota, maintains VA's use of the Minneapolis VAMC and local providers to provide inpatient medical and surgical care.

Market Overview

The market overview includes a map of the Minnesota Central Market, key metrics for the market, and select considerations used in forming the market recommendation

Market Map



Note: A partnership is a strategic collaboration between VA and a non-VA entity.

Facilities: The market has one VAMC (St. Cloud), one multi-specialty community-based outpatient clinic (MS CBOC), and two CBOCs.

Enrollees: In fiscal year (FY) 2019, the market had 39,222 enrollees and is projected to experience a 3.1% decrease in enrolled Veterans by FY 2029. The largest enrollee populations are in the counties of Stearns, Sherburne, and Wright, Minnesota.

Demand: Demand[14] in the market for inpatient medical and surgical services is projected to increase by 8.0% and demand for inpatient mental health services is projected to increase by 6.4% between FY 2019 and FY 2029. Demand for long-term care[15] is projected to increase by 2.2%. Demand for all outpatient services,[16] including primary care, mental health, specialty care, dental care, and rehabilitation therapies, is projected to increase.

Rurality: 81.6% of enrollees in the market live in rural areas compared to the VA national average of 32.5%.

Access: 48.5% of enrollees in the market live within a 30-minute drive time of a VA primary care site and 56.1% of enrollees live within a 60-minute drive time of a VA secondary care site.

Community Capacity: As of 2019, community providers[17] in the market within a 60-minute drive time of the VAMC had an inpatient acute occupancy rate[18] of 61.0% (302 available beds)[19] and an inpatient mental health occupancy rate of 79.2% (2 available beds). Community nursing homes within a 30-minute drive time of the VAMC were operating at an occupancy rate of 88.3% (27 available beds). Community residential rehabilitation programs[20] that match the breadth of services provided by VA are not widely available in the market.

Mission: VA has nurse training affiliations in the market that include Rasmussen College and St. Cloud Technical Community College. The St. Cloud VAMC is ranked 75 out of 154 training sites based on the number of trainees and is ranked 99 out of 103 VAMCs with research funding. The St. Cloud VAMC has no emergency designation.[21]

[14] Projected market demand for inpatient medical and surgical services is based on VA's Enrollee Health Care Projection Model (EHCPM) in bed days of care (BDOC).
[15] Projected market demand for inpatient Long-Term Services and Supports (LTSS) is based on VA's EHCPM in BDOC.
[16] Projected market demand for outpatient services is based on VA's EHCPM in relative value units (RVUs).
[17] Community providers include Veterans Community Care Program (VCCP) providers and potential VCCP providers.
[18] Occupancy rates are calculated by dividing the total average daily census (ADC) by the total number operating beds. Beds at hospitals or nursing homes above the target occupancy rates are excluded.
[19] Available beds in the community are estimated using a target occupancy rate of 80% for hospitals and 90% for community nursing homes.
[20] Includes community residential rehabilitation programs similar to VA's RRTP, blind rehabilitation, and rehabilitative SCI/D services.
[21] VAMCs participating in the National Disaster Medical System are designated as Federal Coordinating Centers. Select Federal Coordinating Centers are also designated as Primary Receiving Centers.

Facility Overview

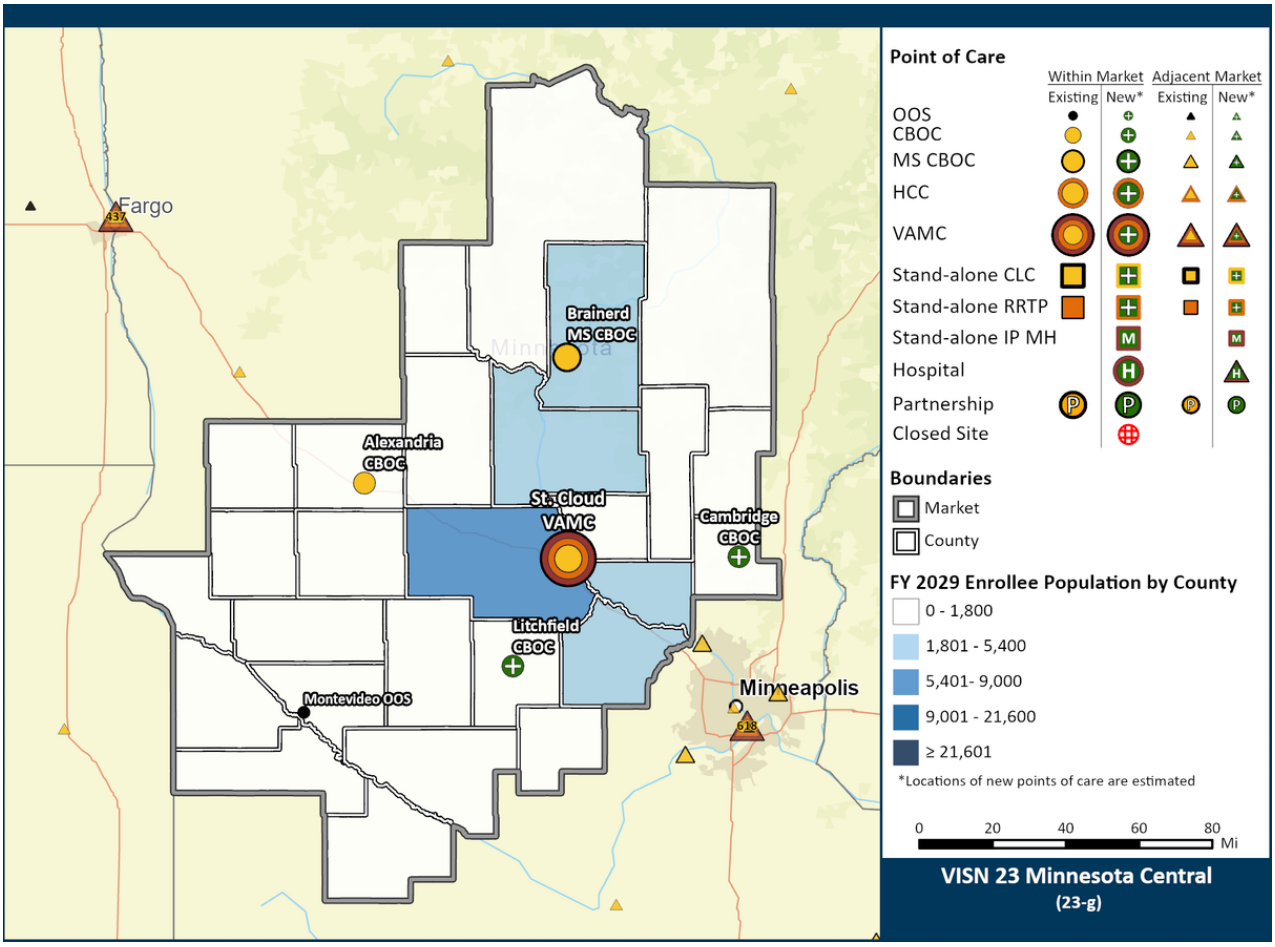
St. Cloud VAMC: The St. Cloud VAMC is located in St. Cloud, Minnesota, and offers inpatient mental health, RRTP, CLC, and outpatient services. In FY 2019, the St. Cloud VAMC had an inpatient mental health average daily census (ADC) of 12.5, an RRTP ADC of 134.9, and a CLC ADC of 205.2.

The St. Cloud VAMC was built in 1923 on 224.0 acres. Facility condition assessment (FCA) deficiencies are approximately $104.8M, and annual operations and maintenance costs are an estimated $9.6M.

Recommendation and Justification

This section details the VISN 23 Minnesota Central Market recommendation and justification for each element of the recommendation.

Future Market Map



1. ***Modernize the St. Cloud VAMC by:***

   1.1. **Modernizing the outpatient space at the St. Cloud VAMC:** The St. Cloud VAMC is a well-located medical center, but many clinical spaces have not had a major renovation in recent years. It has $104.8M in FCA deficiencies. The St. Cloud VAMC dates to 1923 and is set on 224 acres with potentially 50 acres available for future development. It is projected that in FY 2029, 6,745

enrollees will reside in Stearns County where the St. Cloud VAMC is located. In FY 2019, there were 26,559 enrollees within 60 minutes of the VAMC. Many outpatient care services are housed in structures built earlier than 1944 and all are listed in the National Register of Historic Places. Building new structures is likely to be less expensive in the long run, less disruptive to existing operations, and require less time than incrementally renovating these historic structures.

1.2. Modernizing the CLC at the St. Cloud VAMC: The St. Cloud VAMC is a well-located medical center that offers CLC services to Veterans from within and outside its market as a VISN resource. In FY 2019, there were 26,559 enrollees within 60 minutes of the VAMC. Total ADC for the CLC at the St. Cloud VAMC was 205.2 in FY 2019. Demand for CLC in the market is projected to increase by 2.2% between FY 2019 and FY 2029. The St. Cloud VAMC CLC has consistently maintained over 85.0% occupancy in recent years and there is limited community nursing home capacity within the market, which ran at 88.3% occupancy in FY 2019. The facility has $104.8M in FCA deficiencies. The current CLC configuration and infrastructure do not meet VA standards of care for single patient rooms that include attached baths and family gathering spaces. CLC services are housed in structures built earlier than 1944 and all are listed as historic in the National Register of Historic Places. Building new structures is likely to be less expensive in the long run, less disruptive to existing operations, and require less time than incrementally renovating these historic structures.

1.3. Modernizing the RRTP at the St. Cloud VAMC: The St. Cloud VAMC is a well-located medical center that offers RRTP services to Veterans from within and outside its market as a regional resource. In FY 2019, there were 26,559 enrollees within 60 minutes of the VAMC. The total ADC for RRTP at the St. Cloud VAMC was 134.9 in FY 2019. Demand for RRTP in the market is projected to decrease by 7.2% between FY 2019 to FY 2029. The facility has $104.8M in FCA deficiencies. The current RRTP facility configuration and infrastructure do not meet VA standards of care for single patient rooms that include attached baths and common spaces. RRTP services are housed in structures built earlier than 1944 and all are listed as historic in the National Register of Historic Places. Building new structures is likely to be less expensive in the long run, less disruptive to existing operations, and require less time than incrementally renovating these historic structures.

2. ***Modernize and realign outpatient facilities in the market by:***

2.1. Establishing a new CBOC in the vicinity of Cambridge, Minnesota: A new CBOC in the vicinity of Cambridge, Minnesota, will expand access to primary care and outpatient mental health services in the most sustainable location in Isanti County, which is projected to have 1,480 enrollees in FY 2029. In FY 2019, there were 5,511 projected enrollees within 30 minutes of the proposed site.

2.2. Establishing a new CBOC in the vicinity of Litchfield, Minnesota: A new CBOC in the vicinity of Litchfield, Minnesota, will expand access to primary care and outpatient mental health services in the most sustainable location in Meeker County, which is projected to have 1,096 enrollees in FY 2029. In FY 2019, there were 2,831 projected enrollees within 30 minutes of the proposed site.

Complementary Strategy

In addition to the recommendation submitted for AIR Commission approval, VA also anticipates implementing a complementary strategy that supports a high-performing integrated delivery network:

Minnesota Central Market

- **Establish an integrated pain management program in collaboration with the Minneapolis VAMC in the VISN 23 Minnesota East Market:** Current market pain management capacity is low, while demand for pain management services is projected to increase. The Minneapolis VAMC has staff with considerable expertise and excess capacity available in the pain management service.

St. Cloud VAMC

- **Rescope outpatient surgery at the St. Cloud VAMC to provide only high-volume, low-complexity procedures and refer remaining outpatient surgical services to the Minneapolis VAMC in the VISN 23 Minnesota East Market or to community providers:** Demand for high-volume, low-complexity ambulatory surgical services, including ophthalmology, general surgery, orthopedics, podiatry, and urology, are projected to increase significantly and are sustainable at the St. Cloud VAMC. However, low volumes for higher complexity ambulatory procedures mean surgical and peri-operative staff may not be able to maintain competencies for these procedures. As a result, VA will rescope outpatient surgery at the St. Cloud VAMC and provide higher complexity outpatient surgical procedures at the Minneapolis VAMC. Expanding outpatient surgery clinics at the Minnesota East Market's Northwest Metro MS CBOC will provide increased options for Minnesota Central Market enrollees to elect to use the Minneapolis VAMC for lower volume and more complex inpatient and outpatient surgeries.
- **Rescope the Montevideo CBOC to an OOS site:** Core uniques[22] for the Montevideo CBOC decreased by 12.5% from FY 2015 to FY 2019 and enrollees in Chippewa County (Montevideo) and adjacent counties to the west and south are projected to decrease between FY 2019 and FY 2029 as well. In FY 2019, there were 1,011 enrollees within a 30-minute drive time. Rescoping the Montevideo CBOC to an OOS scales the point of care to reflect current and projected demand and enables redistribution of resources to meet higher priority market requirements.
- **Provide higher-demand outpatient specialty care services at the Brainerd MS CBOC:** Demand for several outpatient specialty services, including physical therapy, optometry, outpatient cardiology, dermatology, hematology/oncology, and endocrinology is projected to significantly increase in the Minnesota Central Market; however, the community has significant shortages of providers in cardiology, dermatology, hematology/oncology, and endocrinology. The Brainerd MS CBOC is outside of the 60-minute drive time area of the St. Cloud VAMC. Distributing these high-demand services to the Brainerd MS CBOC will increase access. There are 9,962 enrollees within 60 minutes of the Brainerd MS CBOC in the market's northern and eastern counties.

[22] VA core unique patients exclude Veterans who have used only VA telephone triage, pharmacy, and laboratory services.

- **Increase availability of ophthalmology across the Minnesota Central Market to address the potential lack of high-quality ophthalmologists:** As identified by the Section 203 criteria analysis, the potential lack of high-quality ophthalmologists requires increased availability of ophthalmology services across the Minnesota Central Market. Increased availability may be achieved through a variety of tactics such as telehealth, Veterans Community Care Program recruitment, and hiring additional VA providers, as appropriate.

Cost Benefit Analysis

The Cost Benefit Analysis (CBA) evaluated the costs and benefits of three courses of action (COAs) for the VISN 23 Minnesota Central Market: Status Quo, Modernization, and VA Recommendation. Status Quo includes costs associated with FCA deficiencies and represents no significant change in capital and operational costs. Modernization seeks to modernize all existing health care infrastructure. The VA Recommendation implements the market recommendation and seeks to modernize any remaining health care infrastructure.

- **Costs:** The present value cost[23] over a thirty-year period was calculated for each COA, inclusive of capital and operational costs. Capital costs included costs associated with construction of new facilities, modernization of current facilities, leases, land acquisition, and demolition. VA operational costs included direct costs (e.g., medical service costs), indirect costs (e.g., administrative costs), and VA special direct costs (e.g., suicide prevention coordinators). Non-VA care costs include direct costs (e.g., payments for patient care), indirect costs (e.g., care coordination), overhead costs (e.g., national program costs), and administrative per member per month costs (e.g., third party administration of the Community Care Network).
- **Benefits:** Benefits were evaluated based on five key domains: Demand and Supply, Access, Facilities and Sustainability, Quality, and Mission.

The CBA leveraged both the costs and benefits to generate the Cost Benefit Index (CBI) – a simple metric used to compare the costs and benefits associated with each COA. The COA with the lowest CBI is the preferred COA. The results of the CBA for the VISN 23 Minnesota Central Market are provided in the following table. For more detailed information on the market CBA, please see Appendix H.

VISN 23 Minnesota Central Market	Status Quo	Modernization	VA Recommendation
Total Cost	$10,308,981,328	$11,614,723,107	$12,180,704,658
Capital Cost	$584,504,430	$1,890,246,208	$2,456,227,759
Operational Cost	$9,724,476,898	$9,724,476,898	$9,724,476,898
Total Benefit Score	8	11	13
CBI (normalized in $B)	**1.29**	**1.06**	**0.94**

[23] The present value cost is the current value of future costs discounted at the defined discount rate.

Note: Operational costs are shifted from VA to non-VA care only when a service line is relocated in totality to non-VA care at the parent facility level. Total cost is a sum of operational and capital costs rounded to the nearest dollar.

Section 203 Criteria Analysis

This section provides an overview of how this market recommendation is consistent with the Section 203 decision criteria as required by the MISSION Act. For more detailed information, please see Appendix I.

Demand

This recommendation is consistent with the Demand criterion, aligning VA's high-performing integrated delivery network resources to effectively meet the future health care demand of the Veteran enrollee population with the capacity in the market.

- **Summary:** Following implementation of the recommendation, the capacity available through VA facilities and community providers would be able to support 100% of the projected enrollee demand.
- **Outpatient:** Outpatient demand will be met through six VA points of care offering outpatient services, including the proposed new Cambridge, Minnesota CBOC and Litchfield, Minnesota CBOC, as well as community providers in the market.
- **CLC:** Long-term care demand will be met through the St. Cloud, Minnesota VAMC, as well as community nursing homes.

The recommendation ensures that projected demand for SCI/D, RRTP, and blind rehabilitation is sufficiently met through VA-only capacity in the respective VISN or blind rehabilitation region.

- **SCI/D:** Demand for inpatient SCI/D will be met through the SCI/D Hub at the Minneapolis, Minnesota VAMC (VISN 23).
- **RRTP:** RRTP demand will be met through the St. Cloud, Minnesota VAMC and the other facilities within VISN 23 offering RRTP, including the Grand Island, Nebraska VAMC; Omaha, Nebraska VAMC; Des Moines, Iowa VAMC; the proposed new Rapid City, South Dakota VAMC; proposed new stand-alone RRTP in Iowa City, Iowa; and proposed new RRTP at the Fargo, North Dakota VAMC.
- **Blind rehabilitation:** Inpatient blind rehabilitation demand will be met through the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Inpatient acute:** Inpatient medicine and surgery demand will be met through community providers, and inpatient mental health demand will be met through the St. Cloud, Minnesota VAMC, as well as through community providers.

Access

This recommendation is consistent with the Access criterion, maintaining or improving Veteran access to care in the market and providing Veterans the opportunity to choose the care they trust throughout their lifetime. The Access criterion evaluates enrollee access to care in the current and proposed future state across multiple service lines. It is evaluated for both the overall enrollee population as well as for specific subpopulations of enrollees that traditionally face barriers to receiving appropriate care, including minority enrollees, enrollees over 65, women enrollees, rural enrollees, and enrollees living in disadvantaged neighborhoods.

- **Access to primary care:** Following implementation of the recommendation, the number of enrollees within 30 minutes of primary care available through VA facilities and community providers is projected to be maintained, with 35,738 enrollees within 30 minutes of primary care in the future state.
- **Access to specialty care:** Following implementation of the recommendation, the number of Veterans within 60 minutes of specialty care available through VA facilities and community providers is projected to be maintained, with 35,874 enrollees within 60 minutes of specialty care in the future state.

Mission

This recommendation is consistent with the Mission criterion, providing for VA's second, third, and fourth health related statutory missions of education, research, and emergency preparedness.

- **Education:** The recommendation for this market supports VA's ability to maintain its education mission in VISN 23. The recommendation allows for continued relationships with key academic partners, including Rasmussen College and St. Cloud Technical Community College.
- **Research:** This recommendation does not impact the research mission in the market and allows the St. Cloud, Minnesota VAMC to maintain the current research mission.
- **Emergency preparedness:** This recommendation maintains VA's ability to execute its emergency preparedness mission; the St. Cloud, Minnesota VAMC is not designated as a Primary Receiving Center.

Quality

This recommendation is consistent with the Quality criterion, considering the quality and delivery of health care services available to Veterans in the market, including the experience, safety, and appropriateness of care.

- **Quality among providers:** The recommendation ensures that all providers included within the high-performing integrated delivery network meet the established quality standards by provider type (outlined in Appendix E).
- **Quality improvements through new infrastructure:** Quality is improved through the proposed new Cambridge, Minnesota CBOC and Litchfield, Minnesota CBOC, and by building new, modern clinical facilities on the St. Cloud, Minnesota VAMC campus. This new infrastructure will aid in improving the patient experience with care delivery provided in modern spaces and aid in the recruitment of staff with facilities offering the latest technology.
- **Promoting recruitment of top clinical and non-clinical talent:** The recommendation maintains VA's academic and non-academic partnerships, which supports the recruitment and retention of top clinical and non-clinical talent.

Cost Effectiveness

This recommendation is consistent with the Cost Effectiveness criterion, providing a cost-effective means by which to provide Veterans with modern health care. The Cost Effectiveness criterion was assessed through a CBA summarized in the CBA section and detailed in Appendix H.

- **CBI:** The CBI is the primary metric for cost effectiveness. The CBI for the VA Recommendation COA is lower than the Status Quo COA (0.94 for VA Recommendation versus 1.29 for Status Quo), indicating that the VA Recommendation is more cost effective than the Status Quo.

Sustainability

This recommendation is consistent with the Sustainability criterion, creating a sustainable health care delivery system for Veterans. It ensures that the health care delivery system proposed for the market is aligned with future demand, allowing it to sustainably operate and provide a safe and welcoming health care environment that meets modern health care standards.

- **Aligns investment in care and services with projected Veteran care needs:** All facilities in the future state of this market meet the minimum demand threshold to support sustainable services.
- **Sustainability improvements through new infrastructure:** Within this recommendation, sustainability is improved through the proposed new Cambridge, Minnesota CBOC and Litchfield, Minnesota CBOC; and by building new, modern clinical facilities on the St. Cloud, Minnesota VAMC campus. This new infrastructure modernizes VA facilities to include state-of-the-art equipment that will aid in the recruitment of providers and support staff.
- **Reflects stewardship of taxpayer dollars:** While the cost of the market recommendation is more than the cost to modernize facilities in the market today ($12.2B for VA Recommendation versus $11.6B for Modernization), there are benefits realized through the market recommendation in at least one of the five domains assessed by the CBA that are not realized through the modernization approach. As a result, the CBI score for the VA Recommendation COA is lower than the Modernization COA (0.94 for VA Recommendation versus 1.06 for Modernization), reflecting effective stewardship of taxpayer dollars.

VISN 23 Iowa East Market

The Veterans Integrated Service Network (VISN) 23 Iowa East Market serves Veterans in eastern Iowa and western Illinois. The recommendation includes justification for the proposed action, the results of the cost benefit analysis, and an overview of how the market recommendation is consistent with the MISSION Act Section 203 selection criteria.[24]

VA's Commitment to Veterans in the Iowa East Market

The Department of Veterans Affairs (VA) is committed to providing equitable Veteran access to safe and high-quality care and services in VISN 23's Iowa East Market. We will operate a high-performing integrated delivery network that provides access to VA care, supplemented by care provided by Federal partners, academic affiliates, and community providers.

Based on substantial data analysis, interviews with VISN and VA medical center (VAMC) leaders, consultation with senior VA leadership, and the input received from Veterans and stakeholders, VA has developed a recommendation designed to ensure that Veterans today and for generations to come have access to the high-quality care they have earned. The recommendation also makes sure that VA continues to execute on its additional missions: education and training, research, and emergency preparedness. As VA considers implementing any recommendation approved by the Asset and Infrastructure Review (AIR) Commission, implementation will be carefully sequenced so that facilities or partnerships to which care will be realigned are fully established before the proposed realignment occurs.

Market Strategy

Enrollees in the Iowa East Market are projected to decrease. Demand for inpatient medical and surgical services are projected to decrease, while demand for inpatient mental health, long-term care, and outpatient services is projected to increase. The strategy for the Iowa East Market is to sustain VA's tertiary[25] level care at the Iowa City VAMC while expanding and strengthening its mental health services, including the addition of a residential rehabilitation and treatment program (RRTP). This market strategy maintains VA's well positioned network of facilities and makes incremental changes to improve access to outpatient services. The market strategy is intended to provide Veterans today and in the future with access to high-quality and conveniently located care in modern infrastructure. Key elements of the strategy are described below:

- **Provide equitable access to outpatient care through modern facilities close to where Veterans live and through the integration of virtual care:** VA's recommendation maintains sustainable outpatient sites, including four other outpatient services (OOS) sites, four community-based

[24] Please see the Volume II Reading Guide for more information concerning the purpose of each Market Recommendation section and key definitions.
[25] Highly specialized medical care that involves advanced and complex procedures and treatments performed by medical specialists in state-of-the-art facilities.

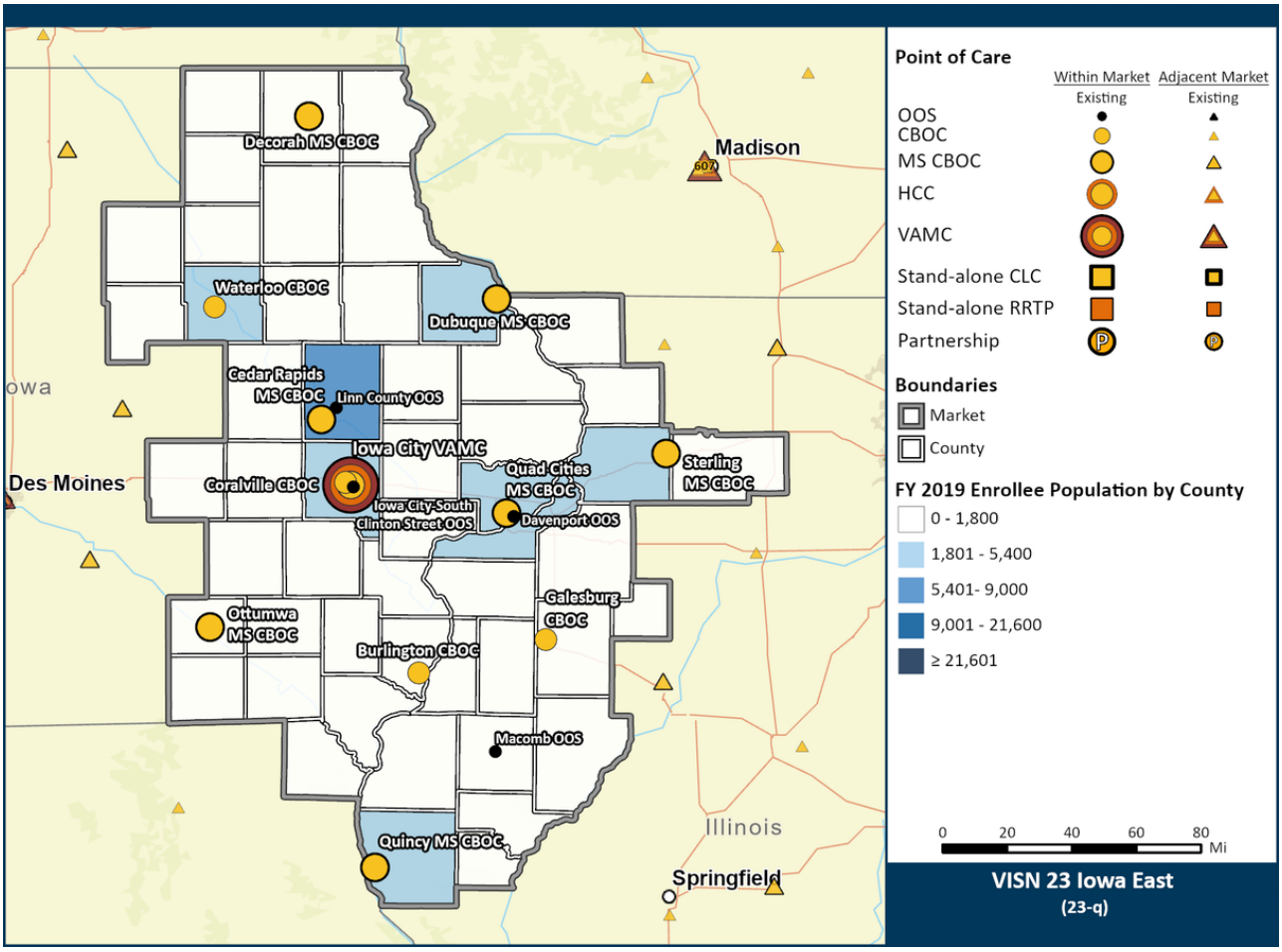
outpatient clinics (CBOCs), and seven multi-specialty community-based outpatient clinics (MS CBOCs).

- **Enhance VA's unique strengths in caring for Veterans with complex needs:** VA's recommendation maintains inpatient mental health services within the Iowa City VAMC, and through a partnership, invests in modern community living center (CLC) facilities in Iowa City, Iowa to maintain care for Veterans with the most complex needs. It also invests in a new, modern RRTP facility in Iowa City, Iowa to provide comprehensive care that may not be readily available in the community. Inpatient spinal cord injuries and disorders (SCI/D) and blind rehabilitation are regional services. Inpatient SCI/D services will be provided at the Minneapolis, Minnesota VAMC. Inpatient blind rehabilitation services will be provided through the regional centers, including the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Provide equitable access to quality inpatient medical and surgical care through the optimized use of care delivered in VA facilities and through partnerships, community providers, and virtual care:** VA's recommendation maintains sustainable programs within the Iowa City VAMC to provide tertiary inpatient medical and surgical care.

Market Overview

The market overview includes a map of the Iowa East Market, key metrics for the market, and select considerations used in forming the market recommendation.

Market Map



Note: A partnership is a strategic collaboration between VA and a non-VA entity.

Facilities: The market has one VAMC (Iowa City), seven MS CBOCs, four CBOCs, and four OOS sites.

Enrollees: In fiscal year (FY) 2019, the market had 57,681 enrollees and is projected to experience a 10.8% decrease in enrolled Veterans by FY 2029. The largest enrollee populations are in the counties of Linn and Scott, Iowa; and Rock Island, Illinois.

Demand: Demand[26] in the market for acute inpatient medical and surgical services is projected to decrease by 4.7% and demand for inpatient mental health services is projected to increase by 6.2% between FY 2019 and FY 2029. Demand for long-term care[27] is projected to increase by 64.9%. Demand

[26] Projected market demand for inpatient medical and surgical services is based on VA's Enrollee Health Care Projection Model (EHCPM) in bed days of care (BDOC).
[27] Projected market demand for inpatient Long-Term Services and Supports (LTSS) is based on VA's EHCPM in BDOC.

for all outpatient services,[28] including primary care, mental health, specialty care, dental care, and rehabilitation therapies, is projected to increase.

Rurality: 62.7% of enrollees in the market live in rural areas compared to the VA national average of 32.5%.

Access: 61.7% of enrollees in the market live within a 30-minute drive time of a VA primary care site and 30.4% of enrollees live within a 60-minute drive time of a VA secondary care site.

Community Capacity: As of 2019, community providers[29] in the market within a 60-minute drive time of the VAMC had an inpatient acute occupancy rate[30] of 57.8% (508 available beds)[31] and an inpatient mental health occupancy rate of 83.6% (9 available beds). Community nursing homes within a 30-minute drive time of the VAMC were operating at an occupancy rate of 81.0% (113 available beds). Community residential rehabilitation programs[32] that match the breadth of services provided by VA are not widely available in the market.

Mission: VA has academic affiliations in the market that include the University of Iowa. The Iowa City VAMC is ranked 33 out of 154 training sites based on the number of trainees and is ranked 17 out of 103 VAMCs with research funding. The Iowa City VAMC has no emergency designation.[33]

Facility Overview

Iowa City VAMC: The Iowa City VAMC is located in Iowa City, Iowa, and offers inpatient medical and surgical care, inpatient mental health, and outpatient services. In FY 2019, the Iowa City VAMC had an inpatient medical and surgical ADC of 41.5 and an inpatient mental health ADC of 11.8.

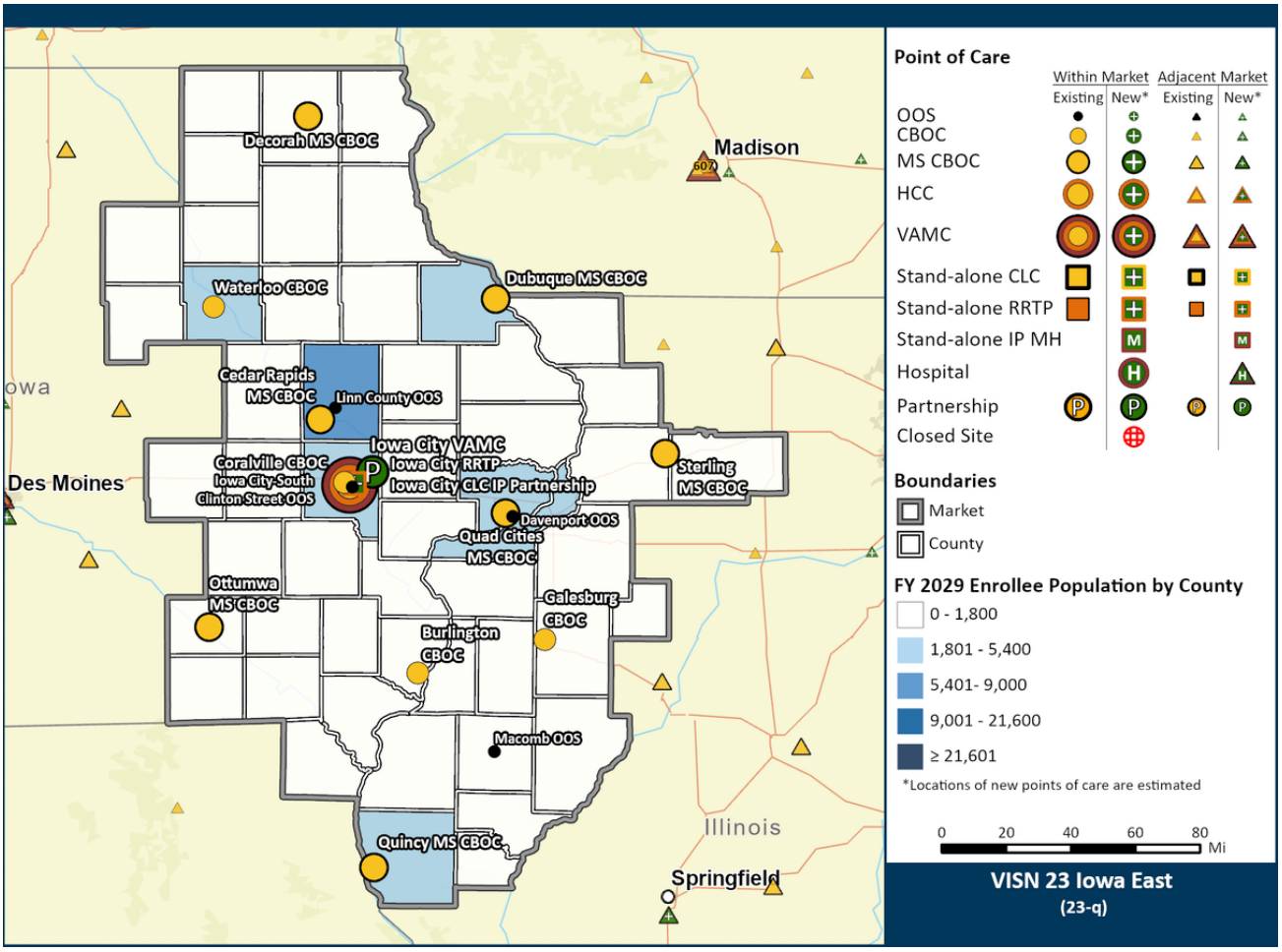
The Iowa City VAMC was built in 1951 on 12.0 acres. Facility condition assessment (FCA) deficiencies are approximately $68.9M, and annual operations and maintenance costs are an estimated $8.9M.

[28] Projected market demand for outpatient services is based on VA's EHCPM in relative value units (RVUs).
[29] Community providers include Veterans Community Care Program (VCCP) providers and potential VCCP providers.
[30] Occupancy rates are calculated by dividing the total average daily census (ADC) by the total number of operating beds. Beds at hospitals or nursing homes above the target occupancy rates are excluded.
[31] Available beds in the community are estimated using a target occupancy rate of 80% for hospitals and 90% for community nursing homes.
[32] Includes community residential rehabilitation programs similar to VA's RRTP, blind rehabilitation, and rehabilitative SCI/D services.
[33] VAMCs participating in the National Disaster Medical System are designated as Federal Coordinating Centers. Select Federal Coordinating Centers are also designated as Primary Receiving Centers.

Recommendation and Justification

This section details the VISN 23 Iowa East Market recommendation and justification for each element of the recommendation.

Future Market Map



1. ***Modernize and realign the Iowa City VAMC by establishing a strategic collaboration to add CLC services. If unable to enter into a strategic collaboration, utilize community providers to provide the service:*** There is no other VA point of care with CLC services within 60 minutes of the Iowa City VAMC. Total market demand for long-term care is projected to increase by 64.9% between FY 2019 and FY 2029. A new CLC will allow VA to meet the short-stay and long-term care needs of the Iowa East Veteran population. The Iowa City VAMC site is small, at 12 acres, and has no space available for additional facility construction. VA has significant difficulty placing dementia patients in community facilities due to limited capabilities. An estimated 10.0% of CLC patients require dementia care, indicating a need of at least 22 beds by FY 2029. Further, quality of post-acute care will improve by the addition of 8 short-stay skilled beds for post-surgical patients. The Iowa City area community nursing home facilities operated 1,119 beds at an occupancy of 81.0% in FY 2019, indicating capacity for 113 additional patients. This surplus presents an opportunity for VA to collaborate with a community provider to establish a CLC for dementia and post-surgical care.

2. ***Modernize by establishing a new stand-alone RRTP in the vicinity of Iowa City, Iowa:*** Currently, there is no RRTP in the Iowa City, Iowa, area and local Veterans are traveling more than one hour (approximately 115 miles) to Des Moines, Iowa, for RRTP care. VA has consistently experienced challenges referring Veterans to RRTP services due to distance, transportation requirements, and the inability of family members to engage in treatment or visit. The Iowa City VAMC site is small, at 12 acres total, and has no space available for additional facility construction; therefore, establishing this service will require an off-site building. The new stand-alone RRTP should be sized for 30 beds. Projected RRTP ADC in FY 2028 is 25.5; therefore, the new stand-alone RRTP will be adequately sized for future demand in the Iowa East Market.

Complementary Strategy

In addition to the recommendation submitted for AIR Commission approval, VA also anticipates implementing a complementary strategy that supports a high-performing integrated delivery network:

Iowa East Market

- **Codify the mental health provider recruitment plan, associated tools, and incentives:** Markets across VISN 23 experience challenges recruiting and retaining mental health providers, especially in smaller sectors and at rural CBOC sites. Potential tools to address mental health provider recruiting and retention challenges include expanding mental health training and education programs, increasing compensation to achieve parity with the community, expanding other financial incentives, and enhancing marketing.
- **Expand telehealth primary care and outpatient mental health access in remote rural areas:** Establishing additional telehealth access in rural areas will strengthen VA's capability to care for Veterans who experience long travel times to VA sites of care. Internet access in rural areas has continued to expand, which creates new opportunities for VA to connect with Veterans in their homes. In areas where internet access remains challenging, VA may also explore opportunities to provide telehealth connectivity in community spaces, if appropriate patient accommodations can be met on site. Potential sites may include Veterans Service Organizations (VSO), State Veterans Homes, County Veteran Service Offices, critical access hospitals or community clinics.

Iowa City VAMC

- **Expand the substance use disorder (SUD) intensive outpatient program at the Cedar Rapids MS CBOC:** A SUD program at the Cedar Rapids MS CBOC would ensure Veterans have access to this vital service in a familiar, safe environment with Veteran-specific programming.
- **Convert one wing of inpatient medical beds to inpatient beds that can support the treatment of psychiatric comorbidities at the Iowa City VAMC and staff accordingly:** There is a need for an inpatient medical unit that includes capabilities and staffing to treat Veterans that also have psychiatric conditions. By converting the vacant VAMC 14-bed swing unit to a medical unit with acute psychiatry capabilities, the VAMC can meet both the market's need and serve as a regional resource to meet current and projected capacity and capability gaps for these patients.

Cost Benefit Analysis

The Cost Benefit Analysis (CBA) evaluated the costs and benefits of three courses of action (COAs) for the VISN 23 Iowa East Market: Status Quo, Modernization, and VA Recommendation. Status Quo includes costs associated with FCA deficiencies and represents no significant change in capital and operational costs. Modernization seeks to modernize all existing health care infrastructure. The VA Recommendation implements the market recommendation and seeks to modernize any remaining health care infrastructure.

- **Costs:** The present value cost[34] over a thirty-year period was calculated for each COA, inclusive of capital and operational costs. The capital cost includes costs associated with construction of new facilities, modernization of current facilities, leases, land acquisition, and demolition. VA operational cost includes direct costs (e.g., medical service costs), indirect costs (e.g., administrative costs), and VA special direct costs (e.g., suicide prevention coordinators). Non-VA care costs include direct costs (e.g., payments for patient care), indirect costs (e.g., care coordination), overhead costs (e.g., national program costs), and administrative per member per month costs (e.g., third party administration of the Community Care Network).
- **Benefits:** Benefits were evaluated based on five key domains: Demand and Supply, Access, Facilities and Sustainability, Quality, and Mission.

The CBA leveraged both the costs and benefits to generate the Cost Benefit Index (CBI) – a simple metric used to compare the costs and benefits associated with each COA. The COA with the lowest CBI is the preferred COA. The results of the CBA for the VISN 23 Iowa East Market are provided in the following table. For more detailed information on the market CBA, please see Appendix H.

VISN 23 Iowa East Market	Status Quo	Modernization	VA Recommendation
Total Cost	$10,079,155,043	$11,044,357,462	$11,115,314,753
Capital Cost	$549,855,538	$1,515,057,957	$1,586,015,248
Operational Cost	$9,529,299,504	$9,529,299,504	$9,529,299,504
Total Benefit Score	8	11	14
CBI (normalized in $B)	**1.26**	**1.00**	**0.79**

Note: Operational costs are shifted from VA to non-VA care only when a service line is relocated in totality to non-VA care at the parent facility level. Total cost is a sum of operational and capital costs rounded to the nearest dollar.

[34] The present value cost is the current value of future costs discounted at the defined discount rate.

Section 203 Criteria Analysis

This section provides an overview of how this market recommendation is consistent with the Section 203 decision criteria as required by the MISSION Act. For more detailed information, please see Appendix I.

Demand

This recommendation is consistent with the Demand criterion, aligning VA's high-performing integrated delivery network resources to effectively meet the future health care demand of the Veteran enrollee population with the capacity in the market.

- **Summary:** Following implementation of the recommendation, the capacity available through VA facilities and community providers would be able to support 100% of the projected enrollee demand.
- **Outpatient:** Outpatient demand will be met through 16 VA points of care offering outpatient services, including community providers in the market.
- **CLC:** Long-term care demand will be met through the proposed new Iowa City, Iowa partnership, as well as community nursing homes.

The recommendation ensures that projected demand for SCI/D, RRTP, and blind rehabilitation is sufficiently met through VA-only capacity in the respective VISN or blind rehabilitation region.

- **SCI/D:** Demand for inpatient SCI/D will be met through the SCI/D Hub at the Minneapolis, Minnesota VAMC (VISN 23).
- **RRTP:** RRTP demand will be met through the proposed new stand-alone RRTP in Iowa City, Iowa, and the other facilities within VISN 23 offering RRTP, including the Grand Island, Nebraska VAMC; Omaha, Nebraska VAMC; and Des Moines, Iowa VAMC; St. Cloud, Minnesota VAMC; and proposed new Rapid City, South Dakota VAMC; and proposed new RRTP at the Fargo, North Dakota VAMC.
- **Blind rehabilitation:** Inpatient blind rehabilitation demand will be met through the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Inpatient acute:** Inpatient medicine, surgery, and mental health demand will be met through the Iowa City, Iowa VAMC, as well as through community providers.

Access

This recommendation is consistent with the Access criterion, maintaining or improving Veteran access to care in the market and providing Veterans the opportunity to choose the care they trust throughout their lifetime. The Access criterion evaluates enrollee access to care in the current and proposed future state across multiple service lines. It is evaluated for both the overall enrollee population as well as for specific subpopulations of enrollees that traditionally face barriers in receiving appropriate care, including minority enrollees, enrollees over 65, women enrollees, rural enrollees, and enrollees living in disadvantaged neighborhoods. Below are the access results for both primary care and specialty care among the overall enrollee population.

- **Access to primary care:** Following implementation of the recommendation, the number of enrollees within 30 minutes of primary care available through VA facilities and community providers is projected be maintained, with 51,719 enrollees within 30 minutes of primary care in the future state.
- **Access to specialty care:** Following implementation of the recommendation, the number of Veterans within 60 minutes of specialty care available through VA facilities and community providers is projected to be maintained, with 51,733 enrollees within 60 minutes of specialty care in the future state.

Mission

This recommendation is consistent with the Mission criterion, providing for VA's second, third, and fourth health related statutory missions of education, research, and emergency preparedness.

- **Education:** The recommendation for this market supports VA's ability to maintain its education mission in VISN 23. The recommendation allows for continued relationships with key academic partners, including but not limited to, the affiliation with the University of Iowa.
- **Research:** This recommendation does not impact the research mission in the market and allows the Iowa City, Iowa VAMC to maintain the current research mission.
- **Emergency preparedness:** This recommendation maintains VA's ability to execute its emergency preparedness mission; the Iowa City, Iowa VAMC is not designated as a Primary Receiving Center.

Quality

This recommendation is consistent with the Quality criterion, considering the quality and delivery of health care services available to Veterans in the market, including the experience, safety, and appropriateness of care.

- **Quality among providers:** The recommendation ensures that all providers included within the high-performing integrated delivery network meet the established quality standards by provider type (outlined in Appendix E).
- **Quality improvements through new infrastructure:** Quality is improved through the proposed new partnership in Iowa City, Iowa, and stand-alone RRTP in Iowa City, Iowa. This new infrastructure will aid in improving the patient experience with care delivery provided in modern spaces and aid in the recruitment of staff with facilities offering the latest technology.
- **Promoting recruitment of top clinical and non-clinical talent:** The recommendation maintains VA's academic and non-academic partnerships, which supports the recruitment and retention of top clinical and non-clinical talent.

Cost Effectiveness

This recommendation is consistent with the Cost Effectiveness criterion, providing a cost-effective means by which to provide Veterans with modern health care. The Cost Effectiveness criterion was assessed through a CBA summarized in the CBA section and detailed in Appendix H.

- **CBI:** The CBI is the primary metric for cost effectiveness. The CBI for the VA Recommendation COA is lower than the Status Quo COA (0.79 for VA Recommendation versus 1.26 for Status Quo), indicating that the VA Recommendation is more cost effective than the Status Quo.

Sustainability

This recommendation is consistent with the Sustainability criterion, creating a sustainable health care delivery system for Veterans. It ensures that the health care delivery system proposed for the market is aligned with future demand, allowing it to sustainably operate and provide a safe and welcoming health care environment that meets modern health care standards.

- **Aligns investment in care and services with projected Veteran care needs:** All facilities in the future state of this market meet the minimum demand threshold to support sustainable services.
- **Sustainability improvements through new infrastructure:** Within this recommendation, sustainability is improved through the proposed new partnership in Iowa City, Iowa and stand-alone RRTP in Iowa City, Iowa. This new infrastructure modernizes VA facilities to include state-of-the-art equipment that will aid in the recruitment of providers and support staff. The proposed partnerships also help VA in recruiting and retaining staff, by embedding providers in a community partner space.
- **Reflects stewardship of taxpayer dollars:** While the cost of the market recommendation is more than the cost to modernize facilities in the market today ($11.1B for VA Recommendation versus $11.0B for Modernization), there are benefits realized through the market recommendation in at least one of the five domains assessed by the CBA that are not realized through the modernization approach. As a result, the CBI score for the VA Recommendation COA is lower than the Modernization COA (0.79 for VA Recommendation versus 1.00 for Modernization), reflecting effective stewardship of taxpayer dollars.

VISN 23 Iowa Central Market

The Veterans Integrated Service Network (VISN) 23 Iowa Central Market serves Veterans in central Iowa. The recommendation includes justification for the proposed action, the results of the cost benefit analysis, and an overview of how the market recommendation is consistent with the MISSION Act Section 203 selection criteria.[35]

VA's Commitment to Veterans in the Iowa Central Market

The Department of Veterans Affairs (VA) is committed to providing equitable Veteran access to safe and high-quality care and services in VISN 23's Iowa Central Market. We will operate a high-performing integrated delivery network that provides access to VA care, supplemented by care provided by Federal partners, academic affiliates, and community providers.

Based on substantial data analysis, interviews with VISN and VA medical center (VAMC) leaders, consultation with senior VA leadership, and the input received from Veterans and stakeholders, VA has developed a recommendation designed to ensure that Veterans today and for generations to come have access to the high-quality care they have earned. The recommendation also makes sure that VA continues to execute on its additional missions: education and training, research, and emergency preparedness. As VA considers implementing any recommendation approved by the Asset and Infrastructure Review (AIR) Commission, implementation will be carefully sequenced so that facilities or partnerships to which care will be realigned are fully established before the proposed realignment occurs.

Market Strategy

Facing decreasing enrollment and an increase in inpatient and outpatient demand, the Iowa Central Market strategy intends to adjust VA-provided services to improve long-term sustainability of inpatient and specialty care at the Des Moines VAMC while strengthening community provider partnerships for low volume specialties and complex care. This market strategy maintains VA's well positioned network of facilities, making incremental changes to improve access to outpatient services. The market strategy is intended to provide Veterans today and in the future with access to high-quality and conveniently located care in modern infrastructure. Key elements of the strategy are described below:

- **Provide equitable access to outpatient care through modern facilities close to where Veterans live and through the integration of virtual care:** VA's recommendation maintains sustainable outpatient sites. The recommendation also invests in a new community-based outpatient clinic (CBOC) in the vicinity of Ames, Iowa, offering primary care and mental health services to better distribute care. In addition, an expanded replacement Fort Dodge multi-specialty community-based outpatient clinic (MS CBOC) and a new Des Moines MS CBOC are in progress.

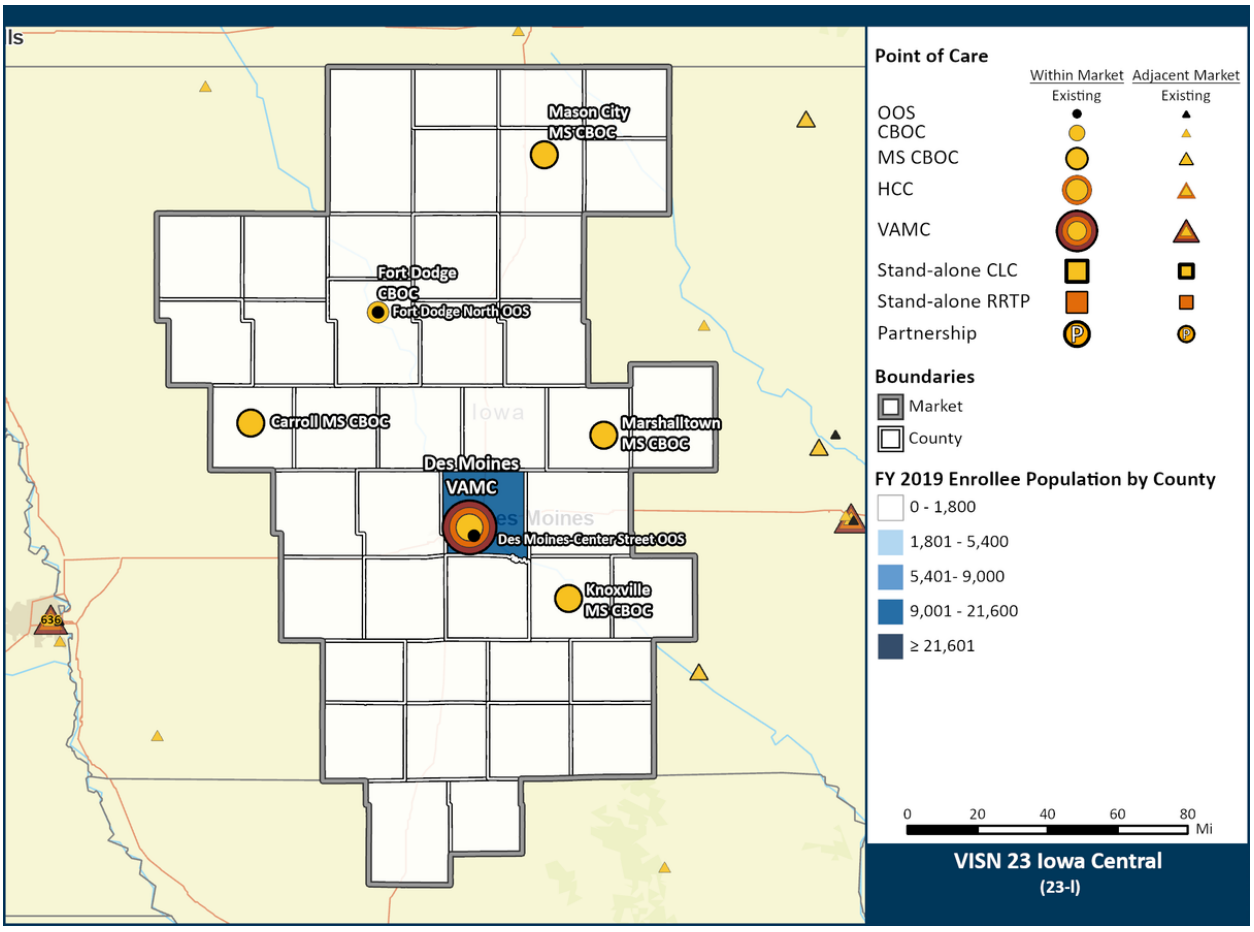
[35] Please see the Volume II Reading Guide for more information concerning the purpose of each Market Recommendation section and key definitions.

- **Enhance VA's unique strengths in caring for Veterans with complex needs:** VA's recommendation maintains inpatient mental health, community living center (CLC), and residential rehabilitation treatment program (RRTP) services within the Des Moines VAMC. Inpatient spinal cord injuries and disorders (SCI/D) and blind rehabilitation are regional services. Inpatient SCI/D services will be provided at the Minneapolis, Minnesota VAMC. Inpatient blind rehabilitation services will be provided through the regional centers, including the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Provide equitable access to quality inpatient medical and surgical care through the optimized use of care delivered in VA facilities and through partnerships, community providers, and virtual care:** VA's recommendation maintains sustainable programs within the Des Moines VAMC to provide inpatient medical and surgical care.

Market Overview

The market overview includes a map of the Iowa Central Market, key metrics for the market, and select considerations used in forming the market recommendation

Market Map



Note: A partnership is a strategic collaboration between VA and a non-VA entity.

Facilities: The market has one VAMC (Des Moines), four MS CBOCs, one CBOC, and two other outpatient services (OOS) sites.

Enrollees: In fiscal year (FY) 2019, the market had 38,124 enrollees and is projected to experience a 9.1% decrease in enrolled Veterans by FY 2029. The largest enrollee population is in the county of Polk, Iowa.

Demand: Demand[36] in the market for inpatient medical and surgical services is projected to increase by 2.7% and demand for inpatient mental health services is projected to increase by 2.8% between FY 2019 and FY 2029. Demand for long-term care[37] is projected to increase by 21.0%. Demand for all outpatient services,[38] including primary care, mental health, specialty care, dental care, and rehabilitation therapies, is projected to increase.

Rurality: 61.9% of enrollees in the market live in rural areas compared to the VA national average of 32.5%.

Access: 56.0% of enrollees in the market live within a 30-minute drive time of a VA primary care site and 60.1% of enrollees live within a 60-minute drive time of a VA secondary care site.

Community Capacity: As of 2019, community providers[39] in the market within a 60-minute drive time of the VAMC have an inpatient acute occupancy rate[40] of 65.4% (275 available beds)[41] and an inpatient mental health occupancy rate of 77.4% (4 available beds). Community nursing homes within a 30-minute drive time of the VAMC were operating at an occupancy rate of 78.7% (227 available beds). Community residential rehabilitation programs[42] that match the breadth of services provided by VA are not widely available in the market.

Mission: VA has academic affiliations in the market that include the University of Iowa and Des Moines University. The Des Moines VAMC is ranked 92 out of 154 VA training sites based on the number of trainees. The Des Moines VAMC conducts limited or no research. The Des Moines VAMC is a Federal Coordinating Center.[43]

Facility Overview

Des Moines VAMC: The Des Moines VAMC is located in Des Moines, Iowa, and offers inpatient medical and surgical care, inpatient mental health, RRTP, CLC, and outpatient services. In FY 2019, the Des

[36] Projected market demand for inpatient medical and surgical services is based on VA's Enrollee Health Care Projection Model (EHCPM) in bed days of care (BDOC).
[37] Projected market demand for inpatient Long-Term Services and Supports (LTSS) is based on VA's EHCPM in BDOC.
[38] Projected market demand for outpatient services is based on VA's EHCPM in relative value units (RVUs).
[39] Community providers include Veterans Community Care Program (VCCP) providers and potential VCCP providers.
[40] Occupancy rates are calculated by dividing the total average daily census (ADC) by the total number of operating beds. Beds at hospitals or nursing homes above the target occupancy rates are excluded.
[41] Available beds in the community are estimated using a target occupancy rate of 80% for hospitals and 90% for community nursing homes.
[42] Includes community residential rehabilitation programs similar to VA's RRTP, blind rehabilitation, and rehabilitative SCI/D services.
[43] VAMCs participating in the National Disaster Medical System are designated as Federal Coordinating Centers. Select Federal Coordinating Centers are also designated as Primary Receiving Centers.

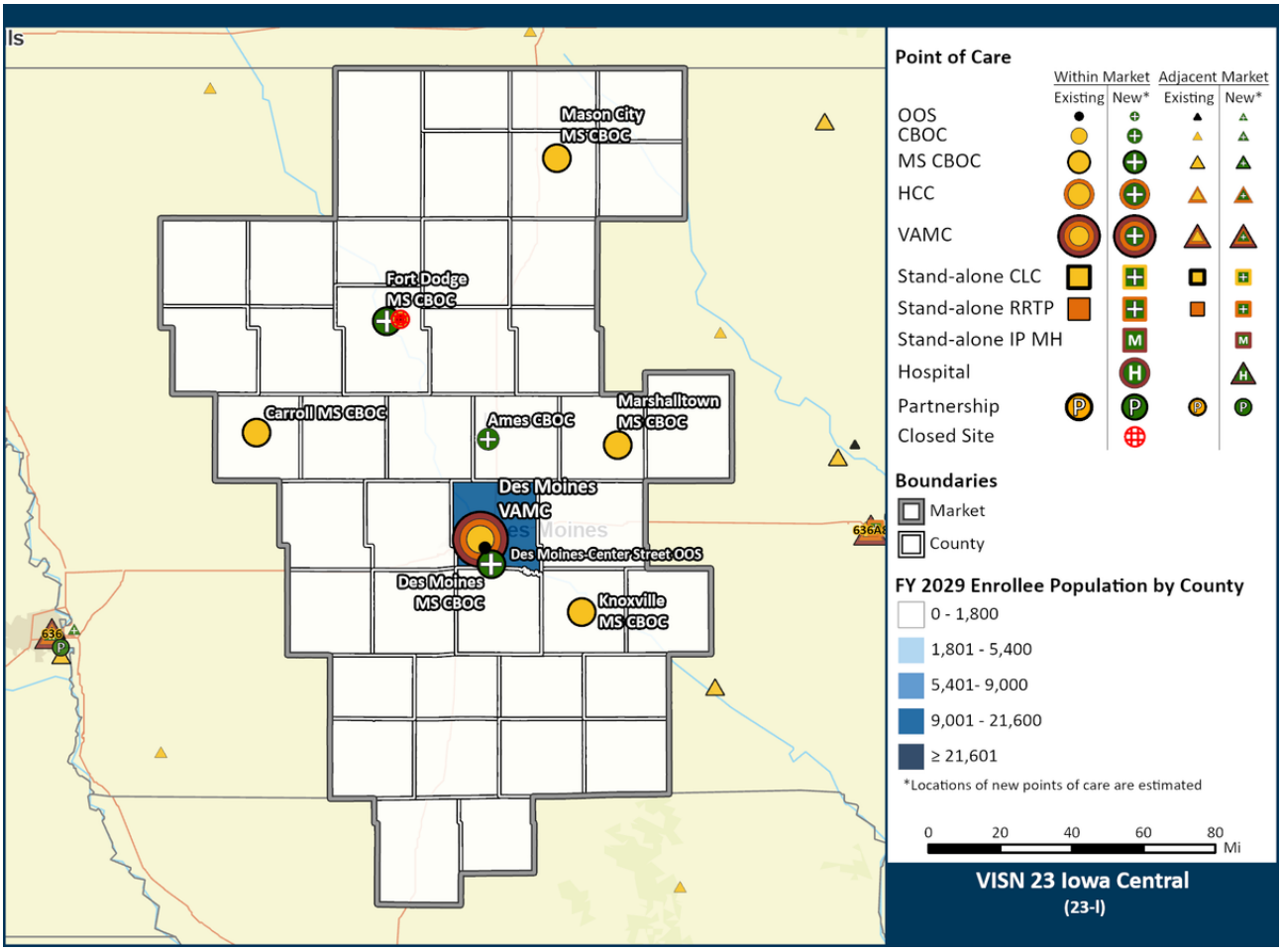
Moines VAMC had an inpatient medical and surgical average daily census (ADC) of 25.4, an inpatient mental health ADC of 7.0, an RRTP ADC of 43.3, and a CLC ADC of 78.2.

The Des Moines VAMC was built in 1933 on 47.0 acres. Facility condition assessment (FCA) deficiencies are approximately $76.9M, and annual operations and maintenance costs are an estimated $9.7M.

Recommendation and Justification

This section details the VISN 23 Iowa Central Market recommendation and justification for each element of the recommendation.

Future Market Map



1. ***Modernize and realign outpatient facilities in the market by establishing a new CBOC in the vicinity of Ames, Iowa:*** A new CBOC in the vicinity of Ames, Iowa, will expand access to primary care and outpatient mental health services in the most sustainable location in Story County, which had 1,761 enrollees in FY 2019. In FY 2019, there were 3,442 projected enrollees within 30 minutes of the proposed site.

Complementary Strategy

In addition to the recommendation submitted for AIR Commission approval, VA also anticipates implementing a complementary strategy that supports a high-performing integrated delivery network:

Iowa Central Market

- **Expand substance use disorder (SUD) treatment services to the Mason City, Marshalltown, and Knoxville MS CBOCs:** Demand for SUD group appointments are increasing. SUD treatment is only offered at the Des Moines VAMC, but 39.9% of the population resides outside of a 60-minute drive time from the VAMC, making access inconvenient for many Veterans. Providing access to SUD treatment in MS CBOCs closer to Veterans' homes will reduce travel and geographic barriers for Veterans seeking this service.
- **Expand home based primary care (HPBC) teams and locations:** The Des Moines VAMC and Mason City CBOC have active HBPC teams. HBPC demand is forecasted to increase by 21% by FY 2029. The Office of Rural Health approved funding for expanded HBPC services in the Mason City MS CBOC and Knoxville MS CBOC. Within the market, 55.6% of enrollees are over the age of 65, which suggests the number of homebound Veterans, due to age-related conditions, will continue to increase.
- **Relocate all services from the Fort Dodge North OOS and Fort Dodge CBOC to the replacement MS CBOC in Fort Dodge, Iowa (in progress):** A replacement MS CBOC in the vicinity of Fort Dodge, Iowa, will expand access to primary care, outpatient mental health, and outpatient specialty care services in the most sustainable location in Webster County. The new location will allow for expansion of current service offerings. As of FY 2019, there were 4,876 enrollees within 60 minutes of the proposed site; the next closest VA facility is approximately 76 minutes (66 miles) away in Carroll, Iowa. Once established, all services will be relocated from the Fort Dodge North OOS and the Fort Dodge CBOC to the planned Fort Dodge MS CBOC.
- **Establish a MS CBOC in Des Moines, Iowa (in progress):** A new MS CBOC in the vicinity of Des Moines, Iowa, will expand access to primary care, outpatient mental health, and outpatient specialty care services in the most sustainable location in Polk County. The MS CBOC will complement services offered at the Des Moines VAMC and other outpatient sites. As of FY 2019, there were 21,674 enrollees within 60 minutes of the proposed site; the next closest VA facility is approximately 9 minutes (3.3 miles) away, also in Des Moines, Iowa.

Des Moines VAMC

- **Narrow the scope of services currently offered at the Des Moines VAMC to retain high-volume specialty care services with reliably sustainable staffing. Partner with community providers to serve Veterans for remaining specialty care needs:** The VAMC has several specialties that have less than 1.0 physician full time equivalent (FTE), making consistent and timely access difficult because there is limited or no back-up coverage when staff are out of the office or when there is staff turnover. Community care providers will be able to support these outpatient needs.
- **Rescope the surgery portfolio of services currently offered at the Des Moines VAMC to focus on high-volume procedures to ensure sustainability:** There were 1,943 total surgery cases

performed at the Des Moines VAMC in FY 2019, 1,613 of which were outpatient. Low volumes for cardiac, oral, and vascular surgery may impact the clinical proficiencies of surgical staff and can adversely impact quality. Support staff may not be able to maintain surgical care competencies due to low volume. Rescoping surgical services offered at the Des Moines VAMC will allow staff to focus on high-volume procedures.

- **Create a partnership with a community provider to provide geropsychiatric inpatient beds:** As the market population ages, the demand for geropsychiatry beds for acute mental health issues is projected to increase. The Des Moines VAMC inpatient mental health space is not configured to support the needs of this small patient cohort. Forming a partnership with a community provider will enable the Iowa Central Market to establish a needed geropsychiatric inpatient service.
- **Reduce the RRTP services at the Des Moines VAMC:** The VISN has developed plans to establish an RRTP in the vicinity of the Iowa City VAMC to address the demand currently referred to the Des Moines VAMC, which will distribute RRTP capabilities/capacity closer to Veterans' residences. The market's RRTP 10-year (FY 2028) projected ADC is 20.6. Reducing RRTP services at the Des Moines VAMC from 60 to 22 beds will ensure sustainability of the program.

Cost Benefit Analysis

The Cost Benefit Analysis (CBA) evaluated the costs and benefits of three courses of action (COA) for the VISN 23 Iowa Central Market: Status Quo, Modernization, and VA Recommendation. Status Quo includes costs associated with FCA deficiencies and represents no significant change in capital and operational costs. Modernization seeks to modernize all existing health care infrastructure. The VA Recommendation implements the market recommendation and seeks to modernize any remaining health care infrastructure.

- **Costs:** The present value cost[44] over a thirty-year period was calculated for each COA, inclusive of capital and operational costs. The capital cost includes costs associated with construction of new facilities, modernization of current facilities, leases, land acquisition, and demolition. VA operational cost includes direct costs (e.g., medical service costs), indirect costs (e.g., administrative costs), and VA special direct costs (e.g., suicide prevention coordinators). Non-VA care costs include direct costs (e.g., payments for patient care), indirect costs (e.g., care coordination), overhead costs (e.g., national program costs), and administrative per member per month costs (e.g., third party administration of the Community Care Network).
- **Benefits:** Benefits were evaluated based on five key domains: Demand and Supply, Access, Facilities and Sustainability, Quality, and Mission.

[44] The present value cost is the current value of future costs discounted at the defined discount rate.

The CBA leveraged both the costs and benefits to generate the Cost Benefit Index (CBI) – a simple metric used to compare the costs and benefits associated with each COA. The COA with the lowest CBI is the preferred COA. The results of the CBA for the VISN 23 Iowa Central Market are provided in the following table. For more detailed information on the market CBA, please see Appendix H.

VISN 23 Iowa Central Market	Status Quo	Modernization	VA Recommendation
Total Cost	$8,042,940,911	$9,155,146,101	$8,697,756,456
Capital Cost	$305,421,349	$1,417,626,538	$1,421,569,885
Operational Cost	$7,737,519,563	$7,737,519,563	$7,276,186,570
Total Benefit Score	7	10	12
CBI (normalized in $B)	**1.15**	**0.92**	**0.72**

Note: Operational costs are shifted from VA to non-VA care only when a service line is relocated in totality to non-VA care at the parent facility level. Total cost is a sum of operational and capital costs rounded to the nearest dollar.

Section 203 Criteria Analysis

This section provides an overview of how this market recommendation is consistent with the Section 203 decision criteria as required by the MISSION Act. For more detailed information on how the recommendation is consistent with the Section 203 criteria, please see Appendix I.

Demand

This recommendation is consistent with the Demand criterion, aligning VA's high-performing integrated delivery network resources to effectively meet the future health care demand of the Veteran enrollee population with the capacity in the market.

- **Summary:** Following implementation of the recommendation, the capacity available through VA facilities and community providers would be able to support 100% of the projected enrollee demand.
- **Outpatient:** Outpatient demand will be met through nine VA points of care offering outpatient services, including the proposed new Ames, Iowa CBOC; Des Moines, Iowa MS CBOC; and Fort Dodge, Iowa MS CBOC; as well as community providers in the market.
- **CLC:** Long-term care demand will be met through the Des Moines, Iowa VAMC, as well as community nursing homes.

The recommendation ensures that projected demand for SCI/D, RRTP, and blind rehabilitation is sufficiently met through VA-only capacity in the respective VISN or blind rehabilitation region.

- **SCI/D:** Demand for inpatient SCI/D will be met through the SCI/D Hub at the Minneapolis, Minnesota VAMC (VISN 23).
- **RRTP:** RRTP demand will be met through the Des Moines, Iowa VAMC and the other facilities within VISN 23 offering RRTP, including the Grand Island, Nebraska VAMC and Omaha, Nebraska VAMC; St. Cloud, Minnesota VAMC; proposed new Rapid City, South Dakota VAMC; proposed new stand-alone RRTP in Iowa City, Iowa; and proposed new RRTP at the Fargo, North Dakota VAMC.

Demand

- **Blind rehabilitation:** Inpatient blind rehabilitation demand will be met through the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Inpatient acute:** Inpatient medicine, surgery, and mental health demand will be met through the Des Moines, Iowa VAMC, as well as through community providers.

Access

This recommendation is consistent with the Access criterion, maintaining or improving Veteran access to care in the market and providing Veterans the opportunity to choose the care they trust throughout their lifetime. The Access criterion evaluates enrollee access to care in the current and proposed future state across multiple service lines. It is evaluated for both the overall enrollee population as well as for specific subpopulations of enrollees that traditionally face barriers in receiving appropriate care, including minority enrollees, enrollees over 65, women enrollees, rural enrollees, and enrollees living in disadvantaged neighborhoods. Below are the access results for both primary care and specialty care among the overall enrollee population.

- **Access to primary care:** Following implementation of the recommendation, the number of enrollees within 30 minutes of primary care available through VA facilities and community providers is projected to be maintained, with 33,605 enrollees within 30 minutes of primary care in the future state.
- **Access to specialty care:** Following implementation of the recommendation, the number of Veterans within 60 minutes of specialty care available through VA facilities and community providers is projected to be maintained, with 33,632 enrollees within 60 minutes of specialty care in the future state.

Mission

This recommendation is consistent with the Mission criterion, providing for VA's second, third, and fourth health related statutory missions of education, research, and emergency preparedness.

- **Education:** The recommendation for this market supports VA's ability to maintain its education mission in VISN 23. The recommendation allows for continued relationships with key academic partners, including but not limited to, the affiliations with the University of Iowa and Des Moines University.
- **Research:** This recommendation does not impact the research mission in the market; the Des Moines, Iowa VAMC does not have a research program.[45]
- **Emergency preparedness:** This recommendation maintains VA's ability to execute its emergency preparedness mission; the Des Moines, Iowa VAMC is not designated as a Primary Receiving Center.

[45] Research programs were determined by FY 2021 total VA-funded research dollars per the Research and Development Information System (RDIS).

Quality

This recommendation is consistent with the Quality criterion, considering the quality and delivery of health care services available to Veterans in the market, including the experience, safety, and appropriateness of care.

- **Quality among providers:** The recommendation ensures that all providers included within the high-performing integrated delivery network meet the established quality standards by provider type (outlined in Appendix E).
- **Quality improvements through new infrastructure:** Quality is improved through the proposed new Ames, Iowa CBOC; Des Moines, Iowa MS CBOC; and Fort Dodge, Iowa MS CBOC. This new infrastructure will aid in improving the patient experience with care delivery provided in modern spaces and aid in the recruitment of staff with facilities offering the latest technology.
- **Promoting recruitment of top clinical and non-clinical talent:** The recommendation maintains VA's academic and non-academic partnerships, which supports the recruitment and retention of top clinical and non-clinical talent.

Cost Effectiveness

This recommendation is consistent with the Cost Effectiveness criterion, providing a cost-effective means by which to provide Veterans with modern health care. The Cost Effectiveness criterion was assessed through a CBA summarized in the CBA section and detailed in Appendix H.

- **CBI**: The CBI is the primary metric for cost effectiveness. The CBI for the VA Recommendation COA is lower than the Status Quo COA (0.72 for VA Recommendation versus 1.15 for Status Quo), indicating that the VA Recommendation is more cost-effective than the Status Quo.

Sustainability

This recommendation is consistent with the Sustainability criterion, creating a sustainable health care delivery system for Veterans. It ensures that the health care delivery system proposed for the market is aligned with future demand, allowing it to sustainably operate and provide a safe and welcoming health care environment that meets modern health care standards.

- **Aligns investment in care and services with projected Veteran care needs:** All facilities in the future state of this market meet the minimum demand threshold to support sustainable services.
- **Sustainability improvements through new infrastructure:** Within this recommendation, sustainability is improved through the proposed new Ames, Iowa CBOC; Des Moines, Iowa MS CBOC; and Fort Dodge, Iowa MS CBOC. This new infrastructure modernizes VA facilities to include state-of-the-art equipment that will aid in the recruitment of providers and support staff.
- **Reflects stewardship of taxpayer dollars:** The cost of the market recommendation is less than the cost to modernize facilities in the market today ($8.7B for VA Recommendation versus $9.2B for Modernization). In addition, there are benefits realized through the market recommendation in at least one of the five domains assessed by the CBA that are not realized through the modernization approach. As a result, the CBI score for the VA Recommendation COA is lower than the Modernization COA (0.72 for VA Recommendation versus 0.92 for Modernization), reflecting effective stewardship of taxpayer dollars.

VISN 23 Nebraska Market

The Veterans Integrated Service Network (VISN) 23 Nebraska Market serves Veterans in Nebraska and parts of western Iowa. The recommendation includes justification for the proposed action, the results of the cost benefit analysis, and an overview of how the market recommendation is consistent with the MISSION Act Section 203 selection criteria.[46]

VA's Commitment to Veterans in the Nebraska Market

The Department of Veterans Affairs (VA) is committed to providing equitable Veteran access to safe and high-quality care and services in VISN 23's Nebraska Market. We will operate a high-performing integrated delivery network that provides access to VA care, supplemented by care provided by Federal partners, academic affiliates, and community providers.

Based on substantial data analysis, interviews with VISN and VA medical center (VAMC) leaders, consultation with senior VA leadership, and the input received from Veterans and stakeholders, VA has developed a recommendation designed to ensure that Veterans today and for generations to come have access to the high-quality care they have earned. The recommendation also makes sure that VA continues to execute on its additional missions: education and training, research, and emergency preparedness. As VA considers implementing any recommendation approved by the Asset and Infrastructure Review (AIR) Commission, implementation will be carefully sequenced so that facilities or partnerships to which care will be realigned are fully established before the proposed realignment occurs.

Market Strategy

The Nebraska Market has relatively stable projected enrollment and a projected increase in demand for inpatient and outpatient care. With increasing enrollees in the Omaha, Nebraska, metropolitan area, the Nebraska Market strategy intends to increase distribution of outpatient care and replace the Omaha VA hospital building, constructed in 1950, with a new, modern facility. The market strategy is intended to provide Veterans today and in the future with access to high-quality and conveniently located care in modern infrastructure. Key elements of the strategy and the associated justification are described below:

- **Provide equitable access to outpatient care through modern facilities close to where Veterans live and through the integration of virtual care:** VA's recommendation maintains sustainable outpatient sites and reclassifies the Bellevue community-based outpatient clinic (CBOC) as a multi-specialty community-based outpatient clinic (MS CBOC) offering primary care, mental health, and specialty services. This recommendation also invests in additional outpatient sites in the vicinity of Council Bluffs, Iowa, and Fremont, Nebraska, offering primary care and mental health services to better distribute care and decompress existing facilities while increasing community partnerships to improve Veteran access to primary care.

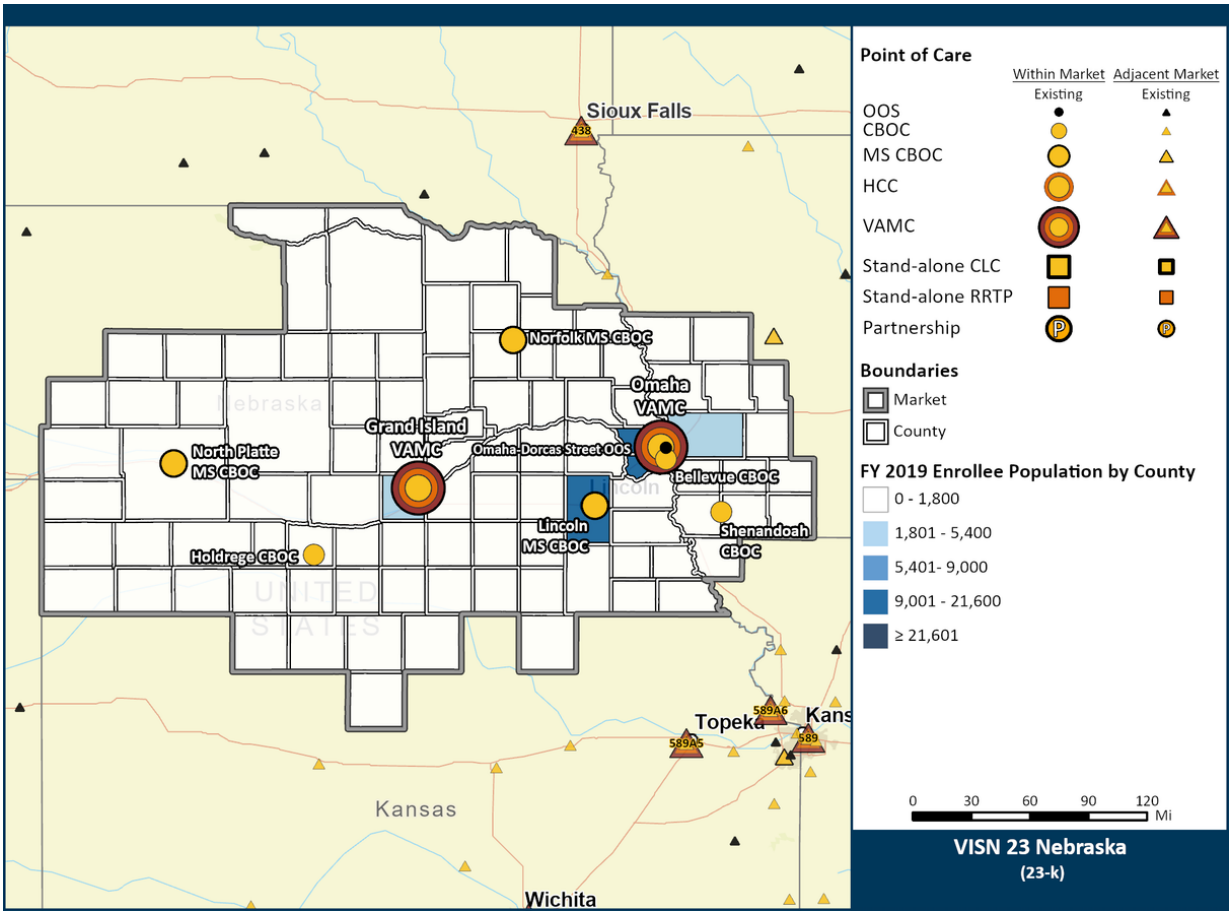
[46] Please see the Volume II Reading Guide for more information concerning the purpose of each Market Recommendation section and key definitions.

- **Enhance VA's unique strengths in caring for Veterans with complex needs:** VA's recommendation maintains inpatient mental health and residential rehabilitation treatment program (RRTP) services within the Omaha VAMC to provide care for Veterans with the most complex needs. Community living center (CLC) services are maintained within the Grand Island VAMC and within a new inpatient partnership in the vicinity of the Omaha VAMC. Inpatient spinal cord injuries and disorders (SCI/D) and blind rehabilitation are regional services. Inpatient SCI/D services will be provided at the Minneapolis, Minnesota VAMC. Inpatient blind rehabilitation services will be provided through the regional centers, including the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Provide equitable access to quality inpatient medical and surgical care through the optimized use of care delivered in VA facilities and through partnerships, community providers, and virtual care:** VA's recommendation maintains sustainable programs within a VA replacement hospital at or in the vicinity of the Omaha VAMC to provide inpatient medical and surgical care.

Market Overview

The market overview includes a map of the Nebraska Market, key metrics for the market, and select considerations used in forming the market recommendation.

Market Map



Note: A partnership is a strategic collaboration between VA and a non-VA entity.

Facilities: The market has two VAMCs (Omaha and Grand Island), three MS CBOCs, three CBOCs, and one other outpatient services (OOS) site.

Enrollees: In fiscal year (FY) 2019, the market had 70,255 enrollees and is projected to experience a 2.7% decrease in enrolled Veterans by FY 2029. The largest enrollee populations are in the counties of Douglas, Sarpy, and Lancaster, Nebraska.

Demand: Demand[47] in the market for inpatient medical and surgical services is projected to increase by 6.9% and demand for inpatient mental health services is projected to increase by 4.6% between FY 2019 and FY 2029. Demand for long-term care[48] is projected to increase by 47.4%. Demand for all outpatient

[47] Projected market demand for inpatient medical and surgical services is based on VA's Enrollee Health Care Projection Model (EHCPM) in bed days of care (BDOC).
[48] Projected market demand for inpatient Long-Term Services and Supports (LTSS) is based on VA's EHCPM in BDOC.

services,[49] including primary care, mental health, specialty care, dental care, and rehabilitation therapies, is projected to increase.

Rurality: 46.8% of enrollees in the market live in rural areas compared to the VA national average of 32.5%.

Access: 64.8% of enrollees in the market live within a 30-minute drive time of a VA primary care site and 57.8% of enrollees live within a 60-minute drive time of a VA secondary care site.

Community Capacity: As of 2019, community providers[50] in the market within a 60-minute drive time of the VAMCs had an inpatient acute occupancy rate[51] of 57.4% (828 available beds)[52] and an inpatient mental health occupancy rate of 65.7% (16 available beds). Community nursing homes within a 30-minute drive time of the VAMCs were operating at an occupancy rate of 78.7% (408 available beds). Community residential rehabilitation programs[53] that match the breadth of services provided by VA are not widely available in the market.

Mission: VA has academic affiliations in the market that include the University of Nebraska and Creighton University. The Omaha VAMC is ranked 49 out of 154 training sites based on the number of trainees, and the Grand Island VAMC is ranked 140 out of 154. The Omaha VAMC is ranked 38 out of 103 VAMCs with research funding. The Grand Island VAMC conducts limited or no research. The Omaha VAMC is designated as a Federal Coordinating Center, and the Grand Island VAMC has no emergency designation.[54]

Facility Overviews

Omaha VAMC: The Omaha VAMC is located in Omaha, Nebraska, and offers inpatient medical and surgical care, inpatient mental health, RRTP, and outpatient services. In FY 2019, the Omaha VAMC had an inpatient medical and surgical average daily census (ADC) of 38.0, an inpatient mental health ADC of 8.8, and an RRTP ADC of 17.2.

The Omaha VAMC was built in 1950 on 34.0 acres. Facility condition assessment (FCA) costs are approximately $183.0M, and annual operations and maintenance costs are an estimated $8.5M.

Grand Island VAMC: The Grand Island VAMC is located in Grand Island, Nebraska, and offers RRTP, CLC, and outpatient services. In FY 2019, the Grand Island VAMC had an RRTP ADC of 18.3 and a CLC ADC of 39.0.

The Grand Island VAMC was built in 1950 on 27.0 acres. FCA deficiencies are approximately $40.1M, and annual operations and maintenance costs are an estimated $3.3M.

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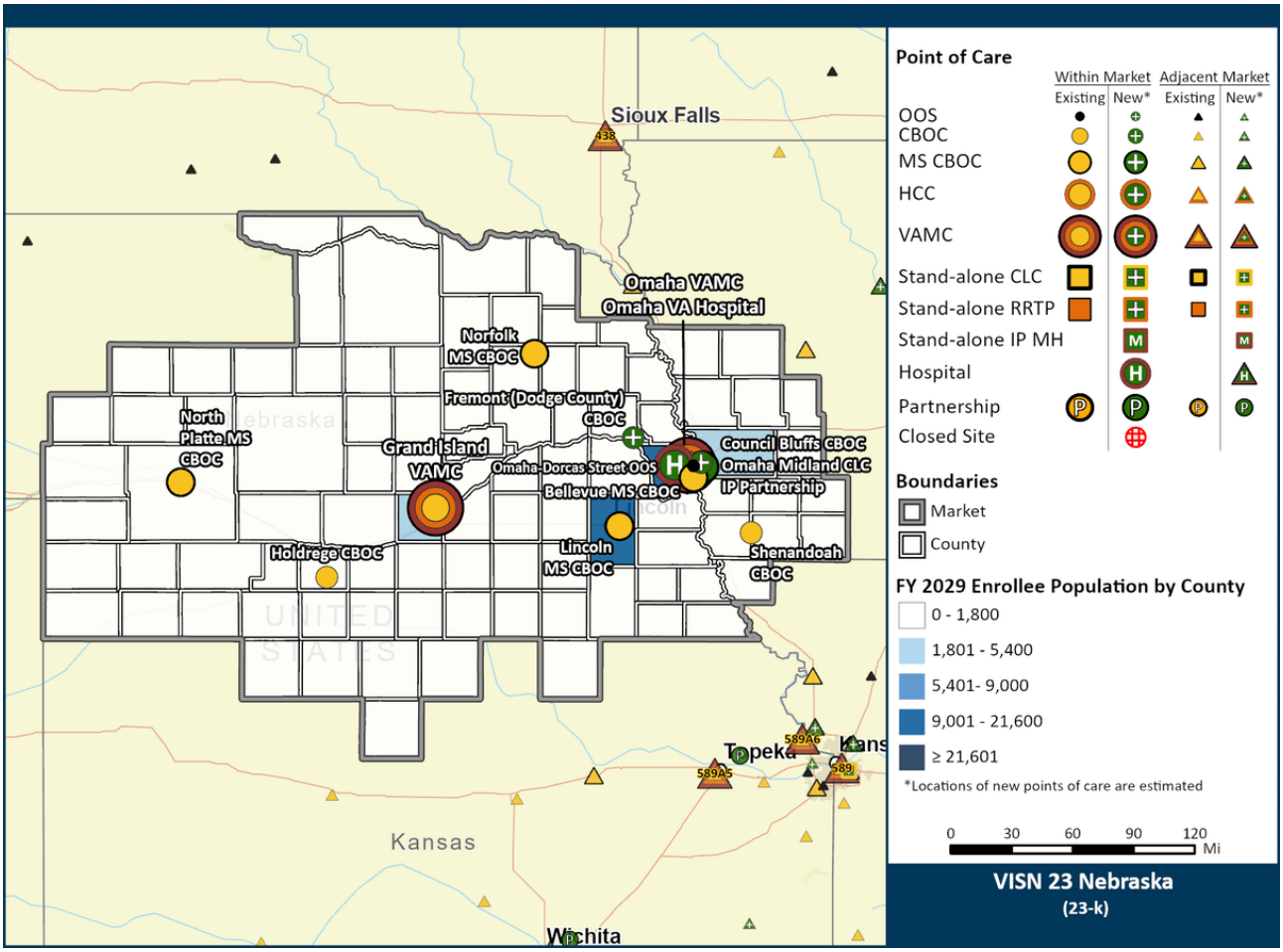
[49] Projected market demand for outpatient services is based on VA's EHCPM in relative value units (RVUs).
[50] Community providers include Veterans Community Care Program (VCCP) providers and potential VCCP providers.
[51] Occupancy rates are calculated by dividing the total average daily census (ADC) by the total number of operating beds. Beds at hospitals or nursing homes above the target occupancy rates are excluded.
[52] Available beds in the community are estimated using a target occupancy rate of 80% for hospitals and 90% for community nursing homes.
[53] Includes community residential rehabilitation programs similar to VA's RRTP, blind rehabilitation, and rehabilitative SCI/D services.
[54] VAMCs participating in the National Disaster Medical System are designated as Federal Coordinating Centers. Select Federal Coordinating Centers are also designated as Primary Receiving Centers.

Recommendation and Justification

This section details the VISN 23 Nebraska Market recommendation and justification for each element of the recommendation.

Future Market Map



1. ***Modernize and realign the Omaha VAMC by:***

   1.1. Constructing a new hospital building in the vicinity of the existing Omaha VAMC: The main Omaha VAMC hospital building, comprising 421,371 Building Gross Square Feet (BGSF), was constructed in 1950 and the majority of the $183.0 million FCA deficiencies are in this building. There are significant facilities maintenance issues and architectural and engineering challenges within the building. Inpatient medical and surgical spaces, along with the emergency department, are aged and undersized, yet the building structure will not allow for renovations in order to bring the facility up to current VA space standards. As of FY 2019, there were 41,177 enrollees within 60 minutes of the Omaha VAMC. In FY 2019, the Omaha VAMC had a total ADC of 64.0, including 38.0 for inpatient medical and surgical care. Demand for inpatient medical and surgical care is projected to decrease to an ADC of 35.6 by FY 2029. The 34-acre site includes a large new outpatient building, new Fisher House, and new parking garage, and as a result has limited redevelopment opportunities on campus. If it is not possible to construct a

new hospital building on the current VAMC site, VA recommends building a new VAMC in the vicinity of the current Omaha VAMC to include exploring VA construction and community partnership opportunities with academic affiliates or others. Building new structures is likely to be less expensive in the long run, less disruptive to existing operations, and require less time than incrementally renovating and expanding existing buildings.

1.2. **Modernizing the RRTP at the existing Omaha VAMC:** In FY 2028, the total projected RRTP bed need in the Nebraska Market is 39. There are 27 RRTP beds the Grand Island VAMC. The current RRTP at the Omaha VAMC has 24 beds situated in single, double, and triple-bed rooms. In FY 2019, the RRTP was at 72.9% occupancy, and space is constrained within the current layout. Occupancy is hindered when patients requiring single occupancy must be placed in double-bed rooms. Modernization would include constructing single patient rooms and more appropriate therapeutic group space. In FY 2019, the Omaha VAMC had 14 substance use disorder (SUD) beds with an ADC of 9.5 and 10 general domiciliary beds with an ADC of 8.0.

2. ***Modernize and realign outpatient facilities in the market by:***

2.1. **Establishing a new CBOC in the vicinity of Council Bluffs, Iowa:** A new CBOC in the vicinity of Council Bluffs, Iowa, will expand access to primary care and outpatient mental health services in the most sustainable location in Pottawattamie County, which had 3,268 enrollees in FY 2019. In FY 2019, there were 25,581 enrollees within 30 minutes of the proposed site.

2.2. **Establishing a new CBOC in the vicinity of Fremont, Nebraska:** A new CBOC in the vicinity of Fremont, Nebraska, will expand access to primary care and outpatient mental health services in the most sustainable location in Dodge County, which had 1,350 enrollees in FY 2019. In FY 2019, there were 4,124 enrollees within 30 minutes of the proposed site.

Complementary Strategy

In addition to the recommendation submitted for AIR Commission approval, VA also anticipates implementing a complementary strategy that supports a high-performing integrated delivery network:

Omaha VAMC

- **Add physical therapy, audiology, and optometry services to the Bellevue CBOC, which may result in the classification of the facility as an MS CBOC:** Demand for all outpatient services, such as audiology, optometry, and physical therapy, is projected to increase significantly. There are increasing telehealth capabilities for audiology, optometry, and follow-ups for physical therapy. The Bellevue CBOC had 6,322 core uniques[55] in FY 2019. The Bellevue CBOC serves Pottawattamie County, Iowa, and Douglas, Cass, and Sarpy counties in Nebraska. These counties contained a total of 29,535 enrollees (FY 2019) and are projected to increase by 4.4% (30,888 enrollees) between FY 2019 and FY 2029. Adding these services to the Bellevue CBOC will help absorb increased demand for specialty care that otherwise would go to the Omaha VAMC.

[55] VA core unique patients exclude Veterans who have used only VA telephone triage, pharmacy, and laboratory services.

Grand Island VAMC

- **Rescope the CLC at the Grand Island VAMC due to the in-progress development of a CLC in the Omaha metropolitan area:** A new CLC is in progress as a Public-Private Partnership (P3) project with a local hospital in Papillion, Nebraska. The plan is to build a 34-bed CLC within an existing community hospital. Services will include short-stay rehabilitation, memory care, and hospice. By establishing a new CLC in the Omaha metropolitan area, referrals to Grand Island VAMC will decrease resulting in a reduced bed need. The Grand Island VAMC should rescope its CLC program and reduce beds once the new Omaha area CLC is activated.
- **Rescope urgent care services currently offered at the Grand Island VAMC to become same day access:** There were 7,249 enrollees within 60-minutes of the Grand Island VAMC as of FY 2019. Veteran enrollees in Hall County, where the Grand Island VAMC is located, are projected to decrease by 9.6%, from 2,328 in FY 2019 to 2,104 in FY 2029. The core uniques at the Grand Island VAMC have decreased by 3.5% between FY 2017 and FY 2019. There were 2,816 urgent care encounters at the Grand Island VAMC in FY 2019. Low urgent care volumes will be more efficiently met by increasing same day access to primary care and closing urgent care.

Cost Benefit Analysis

The Cost Benefit Analysis (CBA) evaluated the costs and benefits of three courses of action (COAs) for the VISN 23 Nebraska Market: Status Quo, Modernization, and VA Recommendation. Status Quo includes costs associated with FCA deficiencies and represents no significant change in capital and operational costs. Modernization seeks to modernize all existing health care infrastructure. The VA Recommendation implements the market recommendation and seeks to modernize any remaining health care infrastructure.

- **Costs:** The present value cost[56] over a thirty-year period was calculated for each COA, inclusive of capital and operational costs. The capital cost includes costs associated with construction of new facilities, modernization of current facilities, leases, land acquisition, and demolition. VA operational cost includes direct costs (e.g., medical service costs), indirect costs (e.g., administrative costs), and VA special direct costs (e.g., suicide prevention coordinators). Non-VA care costs include direct costs (e.g., payments for patient care), indirect costs (e.g., care coordination), overhead costs (e.g., national program costs), and administrative per member per month costs (e.g., third party administration of Community Care Network).
- **Benefits:** Benefits were evaluated based on five key domains: Demand and Supply, Access, Facilities and Sustainability, Quality, and Mission.

The CBA leveraged both the costs and benefits to generate the Cost Benefit Index (CBI) – a simple metric used to compare the costs and benefits associated with each COA. The COA with the lowest CBI is the preferred COA. The results of the CBA for the VISN 23 Nebraska Market are provided in the following table. For more detailed information on the market CBA, please see Appendix H.

[56] The present value cost is the current value of future costs discounted at the defined discount rate.

VISN 23 Nebraska Market	Status Quo	Modernization	VA Recommendation
Total Cost	$14,171,692,735	$14,871,176,429	$14,926,313,741
Capital Cost	$954,947,279	$1,654,430,974	$1,709,568,286
Operational Cost	$13,216,745,455	$13,216,745,455	$13,216,745,455
Total Benefit Score	8	11	14
CBI (normalized in $B)	**1.77**	**1.35**	**1.07**

Note: Operational costs are shifted from VA to non-VA care only when a service line is relocated in totality to non-VA care at the parent facility level. Total cost is a sum of operational and capital costs rounded to the nearest dollar.

Section 203 Criteria Analysis

This section provides an overview of how this market recommendation is consistent with the Section 203 decision criteria as required by the MISSION Act. For more detailed information, please see Appendix I.

Demand

This recommendation is consistent with the Demand criterion, aligning VA's high-performing integrated delivery network resources to effectively meet the future health care demand of the Veteran enrollee population with the capacity in the market.

- **Summary:** Following implementation of the recommendation, the capacity available through VA facilities and community providers would be able to support 100% of the projected enrollee demand.
- **Outpatient:** Outpatient demand will be met through 11 VA points of care offering outpatient services, including the proposed new Fremont, Nebraska CBOC; Council Bluffs, Iowa CBOC; and proposed expanded Bellevue, Nebraska MS CBOC, as well as community providers in the market.
- **CLC**: Long-term care demand will be met through the Grand Island, Nebraska VAMC and the proposed new Omaha Midland, Nebraska partnership, as well as community nursing homes.

The recommendation ensures that projected demand for SCI/D, RRTP, and blind rehabilitation is sufficiently met through VA-only capacity in the respective VISN or blind rehabilitation region.

- **SCI/D**: Demand for inpatient SCI/D will be met through the SCI/D Hub at the Minneapolis, Minnesota VAMC (VISN 23).
- **RRTP**: RRTP demand will be met through the Grand Island, Nebraska VAMC; Omaha, Nebraska VAMC; and the other facilities within VISN 23 offering RRTP, including the Des Moines, Iowa VAMC; St. Cloud, Minnesota VAMC; proposed new RRTP at the Fargo, North Dakota VAMC; proposed new Rapid City, South Dakota VAMC; and proposed new stand-alone RRTP in Iowa City, Iowa.
- **Blind rehabilitation**: Inpatient blind rehabilitation demand will be met through the proposed replacement Hines, Illinois VAMC (VISN 12).

Demand

- **Inpatient acute**: Inpatient medicine and surgery demand will be met through the proposed new Omaha, Nebraska VA Hospital as well as through community providers; inpatient mental health demand will be met through the Omaha, Nebraska VAMC, as well as through community providers.

Access

This recommendation is consistent with the Access criterion, maintaining or improving Veteran access to care in the market and providing Veterans the opportunity to choose the care they trust throughout their lifetime. The Access criterion evaluates enrollee access to care in the current and proposed future state across multiple service lines. It is evaluated for both the overall enrollee population as well as for specific subpopulations of enrollees that traditionally face barriers in receiving appropriate care, including minority enrollees, enrollees over 65, women enrollees, rural enrollees, and enrollees living in disadvantaged neighborhoods. Below are the access results for both primary care and specialty care among the overall enrollee population.

- **Access to primary care:** Following implementation of the recommendation, the number of enrollees within 30 minutes of primary care available through VA facilities and community providers is projected to be maintained, with 65,285 enrollees within 30 minutes of primary care in the future state.
- **Access to specialty care:** Following implementation of the recommendation, the number of Veterans within 60 minutes of specialty care available through VA facilities and community providers is projected to be maintained, with 65,622 enrollees within 60 minutes of specialty care in the future state.

Mission

This recommendation is consistent with the Mission criterion, providing for VA's second, third, and fourth health related statutory missions of education, research, and emergency preparedness.

- **Education**: The recommendation for this market supports VA's ability to maintain its education mission in VISN 23. The recommendation allows for continued relationships with key academic partners, including but not limited to, the affiliations with the University of Nebraska and Creighton University.
- **Research**: This recommendation does not impact the research mission in the market and allows the Omaha, Nebraska VAMC to maintain the current research mission.
- **Emergency preparedness:** This recommendation maintains VA's ability to execute its emergency preparedness mission; the Omaha, Nebraska and Grand Island, Nebraska VAMCs are not designated as Primary Receiving Centers.

Quality

This recommendation is consistent with the Quality criterion, considering the quality and delivery of health care services available to Veterans in the market, including the experience, safety, and appropriateness of care.

- **Quality providers:** The recommendation ensures that all providers included within the high-performing integrated delivery network meet the established quality standards by provider type (outlined in Appendix E).
- **Quality improvements through new infrastructure:** Quality is improved through the proposed new Omaha, Nebraska VA Hospital; Fremont, Nebraska CBOC; Council Bluffs, Iowa CBOC; and Omaha Midland, Nebraska partnership; as well as the modernization of the RRTP at the Omaha, Nebraska VAMC. This new infrastructure will aid in improving the patient experience with care delivery provided in modern spaces and aid in the recruitment of staff with facilities offering the latest technology.
- **Promoting recruitment of top clinical and non-clinical talent:** The recommendation maintains VA's academic and non-academic partnerships, which supports the recruitment and retention of top clinical and non-clinical talent.

Cost Effectiveness

This recommendation is consistent with the Cost Effectiveness criterion, providing a cost-effective means by which to provide Veterans with modern health care. The Cost Effectiveness criterion was assessed through a CBA summarized in the CBA section and detailed in Appendix H.

- **CBI**: The CBI is the primary metric for cost effectiveness. The CBI for the VA Recommendation COA is lower than the Status Quo COA (1.07 for VA Recommendation versus 1.77 for Status Quo), indicating that the VA Recommendation is more cost-effective than the Status Quo.

Sustainability

This recommendation is consistent with the Sustainability criterion, creating a sustainable health care delivery system for Veterans. It ensures that the health care delivery system proposed for the market is aligned with future demand, allowing it to sustainably operate and provide a safe and welcoming health care environment that meets modern health care standards.

- **Aligns investment in care and services with projected Veteran care needs:** All facilities in the future state of this market meet the minimum demand threshold to support sustainable services.
- **Sustainability improvements through new infrastructure:** Within this recommendation, sustainability is improved through the proposed new Omaha, Nebraska VA Hospital; Fremont, Nebraska CBOC; Council Bluffs, Iowa CBOC; and Omaha Midland, Nebraska partnership; as well as the modernization of the RRTP at the Omaha, Nebraska VAMC. This new infrastructure modernizes VA facilities to include state-of-the-art equipment that will aid in the recruitment of providers and support staff. The proposed partnership also helps VA in recruiting and retaining staff by embedding providers in quality community provider space.
- **Reflects stewardship of taxpayer dollars**: While the cost of the market recommendation is more than the cost to modernize facilities in the market today ($14.93B for VA Recommendation versus $14.87B for Modernization), there are benefits realized through the market recommendation in at least one of the five domains assessed by the CBA that are not realized through the modernization approach. As a result, the CBI score for the VA Recommendation COA is lower than the Modernization COA (1.07 for VA Recommendation versus 1.35 for Modernization), reflecting effective stewardship of taxpayer dollars.

VISN 23 North Dakota Market

The Veterans Integrated Service Network (VISN) 23 North Dakota Market serves Veterans in North Dakota. The recommendation includes justification for the proposed action, the results of the cost benefit analysis, and an overview of how the market recommendation is consistent with the MISSION Act Section 203 selection criteria.[57]

VA's Commitment to Veterans in the North Dakota Market

The Department of Veterans Affairs (VA) is committed to providing equitable Veteran access to safe and high-quality care and services in VISN 23's North Dakota Market. We will operate a high-performing integrated delivery network that provides access to VA care, supplemented by care provided by Federal partners, academic affiliates, and community providers.

Based on substantial data analysis, interviews with VISN and VA medical center (VAMC) leaders, consultation with senior VA leadership, and the input received from Veterans and stakeholders, VA has developed a recommendation designed to ensure that Veterans today and for generations to come have access to the high-quality care they have earned. The recommendation also makes sure that VA continues to execute on its additional missions: education and training, research, and emergency preparedness. As VA considers implementing any recommendation approved by the Asset and Infrastructure Review (AIR) Commission, implementation will be carefully sequenced so that facilities or partnerships to which care will be realigned are fully established before the proposed realignment occurs.

Market Strategy

Enrollees in the North Dakota Market are projected to decrease. Demand for inpatient medical and surgical services is projected to decrease, while demand for inpatient mental health care, long-term care, and outpatient care is projected to increase. This market strategy intends to maintain VA's well-positioned network of facilities, making incremental changes to improve access to outpatient services. It also adds a residential rehabilitation and treatment program (RRTP) in the vicinity of the Fargo VAMC. The market strategy is intended to provide Veterans today and in the future with access to high-quality and conveniently located care in modern infrastructure. Key elements of the strategy are described below:

- **Provide equitable access to outpatient care through modern facilities close to where Veterans live and through the integration of virtual care:** VA's recommendation maintains sustainable outpatient sites and reclassifies the Bismarck community-based outpatient clinic (CBOC) as a multi-specialty community-based outpatient clinic (MS CBOC), offering primary care, mental health, and low acuity specialty services to better distribute care and decompress existing facilities.

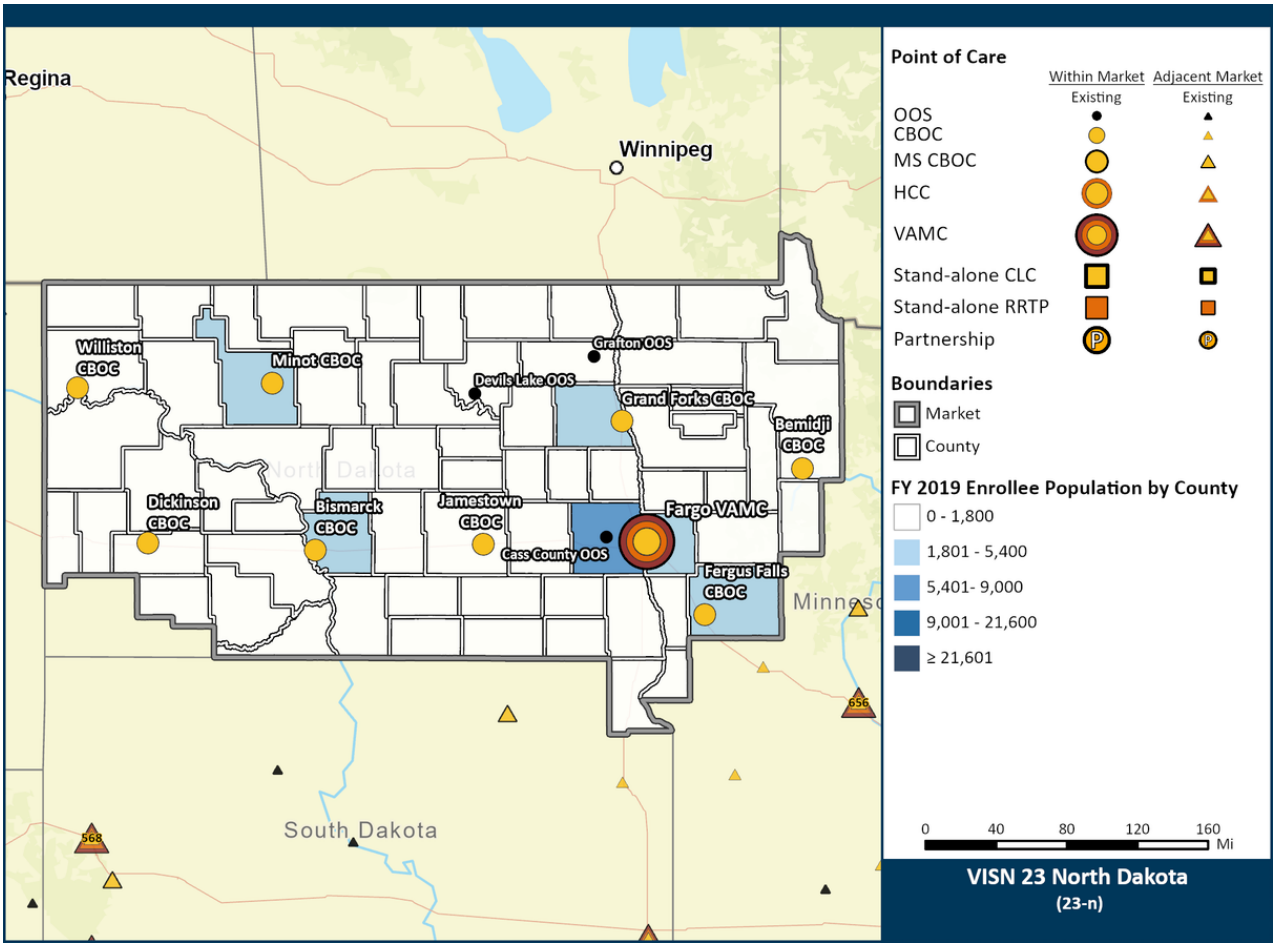
[57] Please see the Volume II Reading Guide for more information concerning the purpose of each Market Recommendation section and key definitions.

- **Enhance VA's unique strengths in caring for Veterans with complex needs:** VA's recommendation maintains inpatient mental health services within the Fargo VAMC, expands the community living center (CLC) within the VAMC to maintain care for Veterans with the most complex needs, and invests in a new VA RRTP in the vicinity of the Fargo VAMC to provide comprehensive care that may not be readily available in the community. Inpatient spinal cord injuries and disorders (SCI/D) and blind rehabilitation are regional services. Inpatient SCI/D services will be provided at the Minneapolis, Minnesota VAMC. Inpatient blind rehabilitation services will be provided through the regional centers, including the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Provide equitable access to quality inpatient medical and surgical care through the optimized use of care delivered in VA facilities and through partnerships, community providers, and virtual care:** VA's recommendation maintains sustainable programs within the Fargo VAMC to provide inpatient medical and surgical care.

Market Overview

The market overview includes a map of the North Dakota Market, key metrics for the market, and select considerations used in forming the market recommendation.

Market Map



Note: A partnership is a strategic collaboration between VA and a non-VA entity.

Facilities: The market has one VAMC (Fargo), eight CBOCs, and three other outpatient services (OOS) sites.

Enrollees: In fiscal year (FY) 2019, the market had 39,770 enrollees and is projected to experience a 7.3% decrease in enrolled Veterans by FY 2029. The largest enrollee populations are in the counties of Cass, Burleigh, and Ward, North Dakota.

Demand: Demand[58] in the market for acute inpatient medical and surgical services is projected to decrease by 0.2% and demand for inpatient mental health services is projected to increase by 13.3% between FY 2019 and FY 2029. Demand for long-term care[59] is projected to increase by 32.3%. Demand

[58] Projected market demand for inpatient medical and surgical services is based on VA's Enrollee Health Care Projection Model (EHCPM) in bed days of care (BDOC).
[59] Projected market demand for inpatient Long-Term Services and Supports (LTSS) is based on VA's EHCPM in BDOC.

for all outpatient services,[60] including primary care, mental health, specialty care, dental care, and rehabilitation therapies, is projected to increase.

Rurality: 68.7% of enrollees in the market live in rural areas compared to the VA national average of 32.5%.

Access: 56.3% of enrollees in the market live within a 30-minute drive time of a VA primary care site and 23.6% of enrollees live within a 60-minute drive time of a VA secondary care site.

Community Capacity: As of 2019, community providers[61] in the market within a 60-minute drive time of the VAMC had an inpatient acute occupancy rate[62] of 67.7% (108 available beds)[63] and an inpatient mental health occupancy rate of 80.3%, indicating limited community capacity. Community nursing homes within a 30-minute drive time of the VAMC were operating at an occupancy rate of 94.0% (9 available beds). Community residential rehabilitation programs[64] that match the breadth of services provided by VA are not widely available in the market.

Mission: VA has academic affiliations in the market that include the University of North Dakota. The Fargo VAMC is ranked 97 out of 154 training sites based on the number of trainees and is ranked 93 out of 103 VAMCs with research funding. The Fargo VAMC has no emergency designation.[65]

Facility Overview

Fargo VAMC: The Fargo VAMC is located in Fargo, North Dakota, and offers inpatient medical and surgical care, inpatient mental health, CLC, and outpatient services. In FY 2019, the Fargo VAMC had an inpatient medical and surgical average daily census (ADC) of 17.3, an inpatient mental health ADC of 5.1, and a CLC ADC of 32.5.

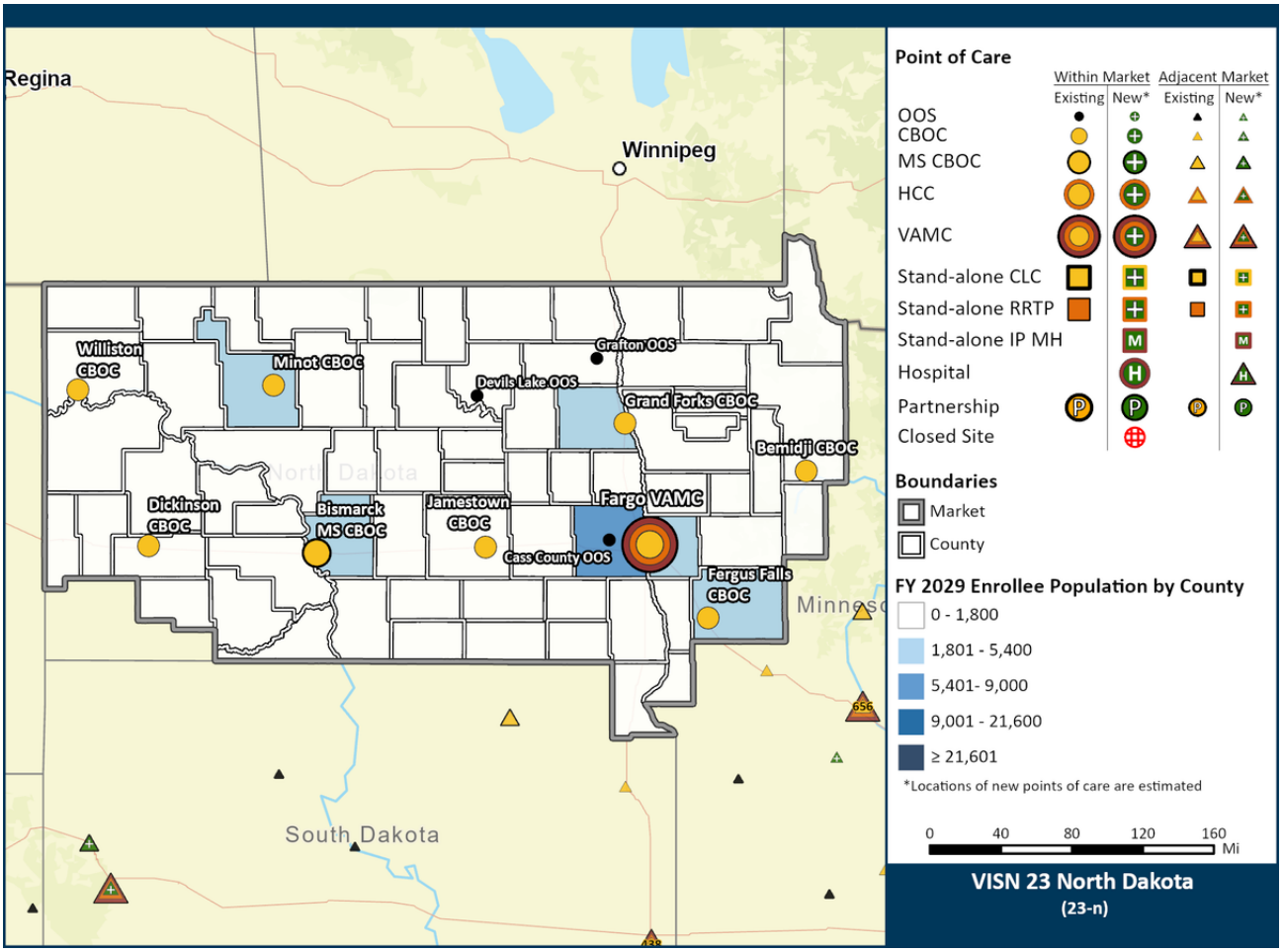
The Fargo VAMC was built in 1929 on 39.0 acres. Facility condition assessment (FCA) deficiencies are approximately $85.4M, and annual operations and maintenance costs are an estimated $6.2M.

[60] Projected market demand for outpatient services is based on VA's EHCPM in relative value units (RVUs).
[61] Community providers include Veterans Community Care Program (VCCP) providers and potential VCCP providers.
[62] Occupancy rates are calculated by dividing the total average daily census (ADC) by the total number of operating beds. Beds at hospitals or nursing homes above the target occupancy rates are excluded.
[63] Available beds in the community are estimated using a target occupancy rate of 80% for hospitals and 90% for community nursing homes.
[64] Includes community residential rehabilitation programs similar to VA's RRTP, blind rehabilitation, and rehabilitative SCI/D services.
[65] VAMCs participating in the National Disaster Medical System are designated as Federal Coordinating Centers. Select Federal Coordinating Centers are also designated as Primary Receiving Centers.

Recommendation and Justification

This section details the VISN 23 North Dakota Market recommendation and justification for each element of the recommendation.

Future Market Map



1. ***Modernize by establishing a new RRTP in the vicinity of the Fargo VAMC:*** The Fargo VAMC does not currently offer RRTP services and refers many Veterans to the closest VA point of care for RRTP at the St. Cloud VAMC in Minnesota, which is approximately two hours and 40 minutes (170 miles) away. Some Veterans are referred to the Hot Springs VAMC in South Dakota, which is approximately 8.5 hours (551 miles) away. Projected ADC for RRTP is 22.5 in FY 2028. Establishing a 24-bed RRTP service in Fargo, North Dakota, will eliminate the necessity of referring Veterans to either the St. Cloud or Hot Springs VAMCs by placing these services closer to where Veterans reside. There were 9,811 enrollees within 60 minutes of the Fargo VAMC as of FY 2019. Undeveloped space at the 39-acre Fargo VAMC is limited. If it is not possible to build on-site, a new RRTP in the vicinity of the Fargo VAMC is recommended.

Complementary Strategy

In addition to the recommendation submitted for AIR Commission approval, VA also anticipates implementing a complementary strategy that supports a high-performing integrated delivery network:

North Dakota Market

- **Increase availability of ophthalmology across the North Dakota Market to address the potential lack of high-quality ophthalmologists:** As identified by the Section 203 criteria analysis, the potential lack of high-quality ophthalmology specialists requires increased availability of ophthalmology services across the North Dakota Market. Increased availability may be achieved through a variety of tactics such as telehealth, Veterans Community Care Program recruitment, and hiring additional VA providers, as appropriate.

Fargo VAMC

- **Expand CLC services at the Fargo VAMC and establish a long-term dementia care unit within the existing CLC:** Long term/short stay nursing home demand in the North Dakota Market is projected to increase by 32.3% from FY 2019 to FY 2029. Quality community nursing homes within a 30-minute drive time of the Fargo VAMC are operating at an occupancy rate of 94.0% (9 available beds), indicating limited community availability. The St. Cloud VAMC is the closest alternative for VA care and is approximately two hours and 40 minutes (170 miles) away. Increasing CLC beds at the Fargo VAMC from 38 to 55 beds will allow Veteran demand for long term/short stay care to be met for the foreseeable future.
- **Partner with community providers to provide difficult-to-recruit, shallow full-time equivalent (FTE) (e.g., less than 1.0 FTE workload) specialty care services to Veterans:** Specialties including dermatology, endocrinology, gastroenterology, obstetrics and gynecology, otolaryngology, plastic surgery, and infectious disease are currently understaffed. New patient appointments for specialty care completed within 30 days are below the national average, indicating difficulty adding new patients to specialty panels. With the presence of robust community health systems in Fargo, North Dakota, engaging contract providers or referring Veterans to community providers may prove to be a more consistently available and cost-effective care delivery method compared to maintaining these services in-house.
- **Expand telehealth primary care and outpatient mental health access in remote rural areas:** Establishing additional telehealth access in rural areas will strengthen VA's capability to care for Veterans who experience long travel times to VA sites of care. Internet access in rural areas has continued to expand, which creates new opportunities for VA to connect with Veterans in their homes. In areas where internet access remains challenging, VA may also explore opportunities to provide telehealth connectivity in community spaces, if appropriate patient accommodations can be met on site. Potential sites may include Veterans Service Organizations (VSO), State Veterans Homes, County Veteran Service Offices, critical access hospitals or community clinics.
- **Add physical therapy services to the Bismarck CBOC, which may result in the classification of the facility as an MS CBOC:** Physical therapy had the third highest number of community

authorizations in FY 2019. The Bismarck CBOC had 4,559 core uniques[66] in FY 2019, and 4,703 enrollees within a 60-minute drive time.

Cost Benefit Analysis

The Cost Benefit Analysis (CBA) evaluated the costs and benefits of three courses of action (COAs) for the VISN 23 North Dakota Market: Status Quo, Modernization, and VA Recommendation. Status Quo includes costs associated with FCA deficiencies and represents no significant change in capital and operational costs. Modernization seeks to modernize all existing health care infrastructure. The VA Recommendation implements the market recommendation and seeks to modernize any remaining health care infrastructure.

- **Costs:** The present value cost[67]over a thirty-year period was calculated for each COA, inclusive of capital and operational costs. The capital cost includes costs associated with construction of new facilities, modernization of current facilities, leases, land acquisition, and demolition. VA operational cost includes direct costs (e.g., medical service costs), indirect costs (e.g., administrative costs), and VA special direct costs (e.g., suicide prevention coordinators). Non-VA care costs include direct costs (e.g., payments for patient care), indirect costs (e.g., care coordination), overhead costs (e.g., national program costs), and administrative per member per month costs (e.g., third party administration of the Community Care Network).
- **Benefits:** Benefits were evaluated based on five key domains: Demand and Supply, Access, Facilities and Sustainability, Quality, and Mission.

The CBA leveraged both the costs and benefits to generate the Cost Benefit Index (CBI) – a simple metric used to compare the costs and benefits associated with each COA. The COA with the lowest CBI is the preferred COA. The results of the CBA for the VISN 23 North Dakota Market are provided in the following table. For more detailed information on the market CBA, please see Appendix H.

VISN 23 North Dakota Market	Status Quo	Modernization	VA Recommendation
Total Cost	$7,974,828,543	$8,495,925,883	$8,592,556,737
Capital Cost	$356,257,419	$877,354,759	$973,985,613
Operational Cost	$7,618,571,124	$7,618,571,124	$7,618,571,124
Total Benefit Score	7	10	13
CBI (normalized in $B)	**1.14**	**0.85**	**0.66**

Note: Operational costs are shifted from VA to non-VA care only when a service line is relocated in totality to non-VA care at the parent facility level. Total cost is a sum of operational and capital costs rounded to the nearest dollar.

[66] VA core unique patients exclude Veterans who have used only VA telephone triage, pharmacy, and laboratory services.
[67] The present value cost is the current value of future costs discounted at the defined discount rate.

Section 203 Criteria Analysis

This section provides an overview of how this market recommendation is consistent with the Section 203 decision criteria as required by the MISSION Act. For more detailed information, please see Appendix I.

Demand

This recommendation is consistent with the Demand criterion, aligning VA's high-performing integrated delivery network resources to effectively meet the future health care demand of the Veteran enrollee population with the capacity in the market.

- **Summary**: Following implementation of the recommendation, the capacity available through VA facilities and community providers would be able to support 100% of the projected enrollee demand.
- **Outpatient**: Outpatient demand will be met through 12 VA points of care offering outpatient services, including the proposed expanded Bismarck, North Dakota MS CBOC, as well as community providers in the market.
- **CLC**: Long-term care demand will be met through the Fargo, North Dakota VAMC, as well as community nursing homes.

The recommendation ensures that projected demand for SCI/D, RRTP, and blind rehabilitation is sufficiently met through VA-only capacity in the respective VISN or blind rehabilitation region.

- **SCI/D**: Demand for inpatient SCI/D will be met through the SCI/D Hub at the Minneapolis, Minnesota VAMC (VISN 23).
- **RRTP:** RRTP demand will be met through the proposed new RRTP at the Fargo, North Dakota VAMC and the other facilities within VISN 23 offering RRTP, including the Grand Island, Nebraska VAMC; Omaha, Nebraska VAMC; Des Moines, Iowa VAMC; and St. Cloud, Minnesota VAMC; the proposed new Rapid City, South Dakota VAMC; and proposed new stand-alone RRTP in Iowa City, Iowa.
- **Blind rehabilitation:** Inpatient blind rehabilitation demand will be met through the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Inpatient acute:** Inpatient medicine, surgery, and mental health demand will be met through the Fargo, North Dakota VAMC, as well as through community providers.

Access

This recommendation is consistent with the Access criterion, maintaining or improving Veteran access to care in the market and providing Veterans the opportunity to choose the care they trust throughout their lifetime. The Access criterion evaluates enrollee access to care in the current and proposed future state across multiple service lines. It is evaluated for both the overall enrollee population as well as for specific subpopulations of enrollees that traditionally face barriers in receiving appropriate care, including minority enrollees, enrollees over 65, women enrollees, rural enrollees, and enrollees living in disadvantaged neighborhoods. Below are the access results for both primary care and specialty care among the overall enrollee population.

- **Access to primary care:** Following implementation of the recommendation, the number of enrollees within 30 minutes of primary care available through VA facilities and community providers is projected to be maintained, with 36,070 enrollees within 30 minutes of primary care in the future state.
- **Access to specialty care:** Following implementation of the recommendation, the number of Veterans within 60 minutes of specialty care available through VA facilities and community providers is projected to be maintained, with 37,099 enrollees within 60 minutes of specialty care in the future state.

Mission

This recommendation is consistent with the Mission criterion, providing for VA's second, third, and fourth health related statutory missions of education, research, and emergency preparedness.

- **Education:** The recommendation for this market supports VA's ability to maintain its education mission in VISN 23. The recommendation allows for continued relationships with key academic partners, including but not limited to, the affiliation with the University of North Dakota.
- **Research:** This recommendation does not impact the research mission in the market and allows the Fargo, North Dakota VAMC to maintain the current research mission.
- **Emergency preparedness:** This recommendation maintains VA's ability to execute its emergency preparedness mission; the Fargo, North Dakota VAMC is not designated as a Primary Receiving Center.

Quality

This recommendation is consistent with the Quality criterion, considering the quality and delivery of health care services available to Veterans in the market, including the experience, safety, and appropriateness of care.

- **Quality among providers:** The recommendation ensures that all providers included within the high-performing integrated delivery network meet the established quality standards by provider type (outlined in Appendix E).
- **Quality improvements through new infrastructure:** Quality is improved through the proposed new RRTP at the Fargo, North Dakota VAMC. This new infrastructure will aid in improving the patient experience with care delivery provided in modern spaces and aid in the recruitment of staff with facilities offering the latest technology.
- **Promoting recruitment of top clinical and non-clinical talent:** The recommendation maintains VA's academic and non-academic partnerships, which supports the recruitment and retention of top clinical and non-clinical talent.

Cost Effectiveness

This recommendation is consistent with the Cost Effectiveness criterion, providing a cost-effective means by which to provide Veterans with modern health care. The Cost Effectiveness criterion was assessed through a CBA summarized in the CBA section and detailed in Appendix H.

- **CBI**: The CBI is the primary metric for cost effectiveness. The CBI for the VA Recommendation COA is lower than the Status Quo COA (0.66 for VA Recommendation versus 1.14 for Status Quo), indicating that the VA Recommendation is more cost effective than the Status Quo.

Sustainability

This recommendation is consistent with the Sustainability criterion, creating a sustainable health care delivery system for Veterans. It ensures that the health care delivery system proposed for the market is aligned with future demand, allowing it to sustainably operate and provide a safe and welcoming health care environment that meets modern health care standards.

- **Aligns investment in care and services with projected Veteran care needs:** All facilities in the future state of this market meet the minimum demand threshold to support sustainable services.
- **Sustainability improvements through new infrastructure:** Within this recommendation, sustainability is improved through the proposed new RRTP at the Fargo, North Dakota VAMC. This new infrastructure modernizes VA facilities to include state-of-the-art equipment that will aid in the recruitment of providers and support staff.
- **Reflects stewardship of taxpayer dollars:** While the cost of the market recommendation is more than the cost to modernize facilities in the market today ($8.6B for VA Recommendation versus $8.5B for Modernization), there are benefits realized through the market recommendation in at least one of the five domains assessed by the CBA that are not realized through the modernization approach. As a result, the CBI score for the VA Recommendation COA is lower than the Modernization COA (0.66 for VA Recommendation versus 0.85 for Modernization), reflecting effective stewardship of taxpayer dollars.

VISN 23 South Dakota East Market

The Veterans Integrated Service Network (VISN) 23 South Dakota East Market serves Veterans in eastern South Dakota. The recommendation includes justification for the proposed action, the results of the cost benefit analysis, and an overview of how the market recommendation is consistent with the MISSION Act Section 203 selection criteria.[68]

VA's Commitment to Veterans in the South Dakota East Market

The Department of Veterans Affairs (VA) is committed to providing equitable Veteran access to safe and high-quality care and services in VISN 23's South Dakota East Market. We will operate a high-performing integrated delivery network that provides access to VA care, supplemented by care provided by Federal partners, academic affiliates, and community providers.

Based on substantial data analysis, interviews with VISN and VA medical center (VAMC) leaders, consultation with senior VA leadership, and the input received from Veterans and stakeholders, VA has developed a recommendation designed to ensure that Veterans today and for generations to come have access to the high-quality care they have earned. The recommendation also makes sure that VA continues to execute on its additional missions: education and training, research, and emergency preparedness. As VA considers implementing any recommendation approved by the Asset and Infrastructure Review (AIR) Commission, implementation will be carefully sequenced so that facilities or partnerships to which care will be realigned are fully established before the proposed realignment occurs.

Market Strategy

The South Dakota East Market is facing decreasing market enrollment but an increase in demand for inpatient and outpatient care. The South Dakota East Market strategy intends to strengthen VA-provided care by focusing Sioux Falls VAMC services on outpatient care, inpatient mental health, and community living center (CLC) services. VA's outpatient facilities are largely well positioned, and the recommendation makes incremental changes to improve access to outpatient services. The market strategy is intended to provide Veterans today and in the future with access to high-quality and conveniently located care in modern infrastructure. Key elements of the strategy are described below:

- **Provide equitable access to outpatient care through modern facilities close to where Veterans live and through the integration of virtual care:** VA's recommendation maintains sustainable outpatient sites and reclassifies the Sioux City community-based outpatient clinic (CBOC) as a multi-specialty community-based outpatient clinic (MS CBOC) offering primary care, mental health care, and low acuity specialty care services. This recommendation also closes one other

[68] Please see the Volume II Reading Guide for more information concerning the purpose of each Market Recommendation section and key definitions.

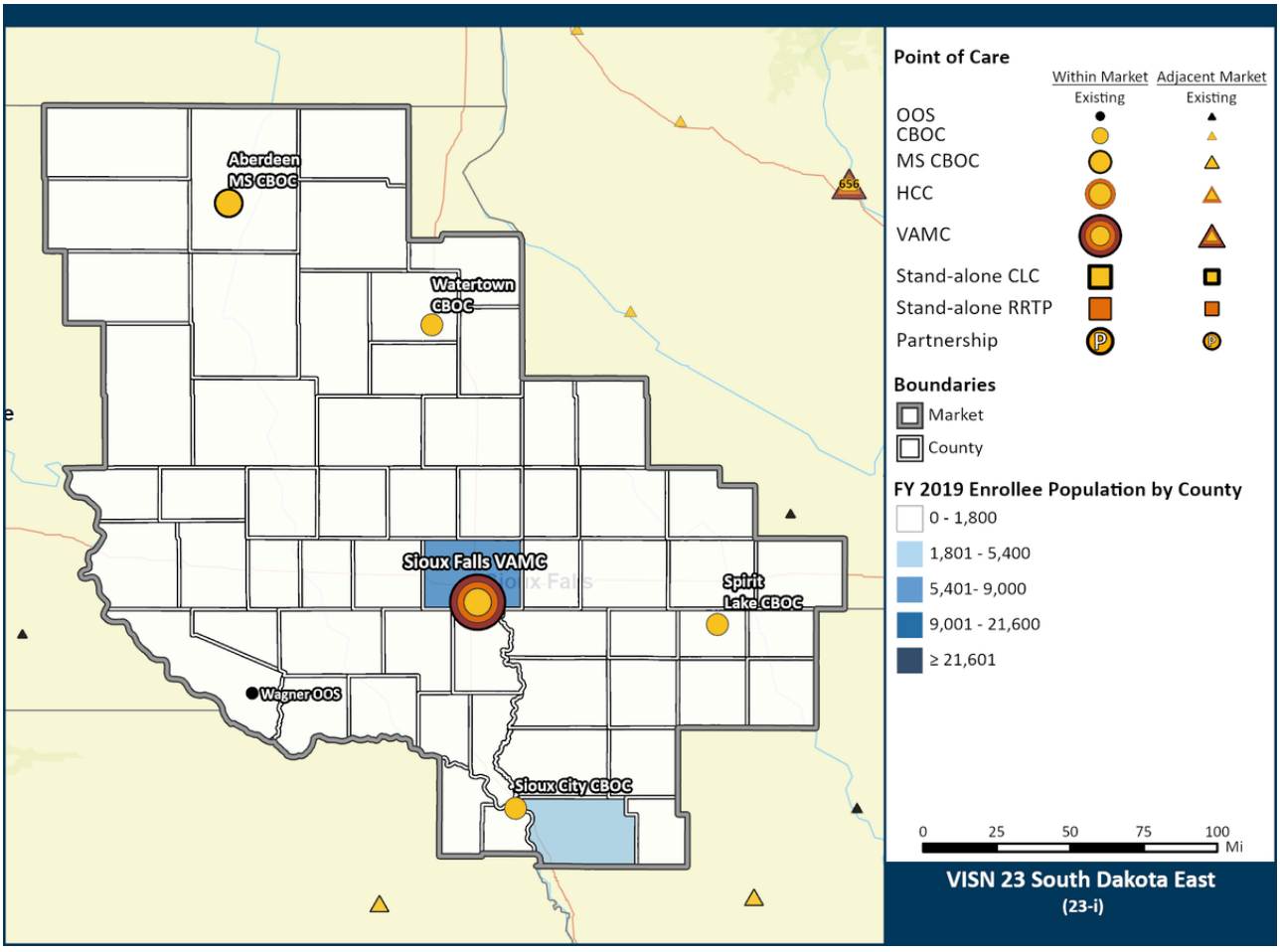
outpatient services (OOS) site in Wagner, while utilizing community providers to maintain Veteran access to primary care.

- **Enhance VA's unique strengths in caring for Veterans with complex needs:** VA's recommendation invests in modern CLC facilities at the Sioux Falls VAMC to maintain care for Veterans with the most complex needs. VA's recommendation also maintains inpatient mental health within the Sioux Falls VAMC and residential rehabilitation treatment program (RRTP) services at VA-owned facilities in neighboring markets of South Dakota West and Minnesota Central. Inpatient spinal cord injuries and disorders (SCI/D) and blind rehabilitation are regional services. Inpatient SCI/D services will be provided at the Minneapolis, Minnesota VAMC. Inpatient blind rehabilitation services will be provided through the regional centers, including the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Provide equitable access to quality inpatient medical and surgical care through the optimized use of care delivered in VA facilities and through partnerships, community providers, and virtual care:** VA's recommendation establishes a partnership through which VA providers can deliver inpatient medical and surgical services in a partner's space in Sioux Falls, South Dakota.

Market Overview

The market overview includes a map of the South Dakota East Market, key metrics for the market, and select considerations used in forming the market recommendation.

Market Map



Note: A partnership is a strategic collaboration between VA and a non-VA entity.

Facilities: The market has one VAMC (Sioux Falls), three CBOCs, one MS CBOC, and one OOS site.

Enrollees: In fiscal year (FY) 2019, the market had 33,611 enrollees and is projected to experience an 11.7% decrease in enrolled Veterans by FY 2029. The largest enrollee populations are in the counties of Minnehaha, Woodbury, and Lincoln, South Dakota.

Demand: Demand[69] in the market for inpatient medical and surgical services is projected to increase by 7.6% and demand for inpatient mental health services is projected to increase by 8.9% between FY 2019 and FY 2029. Demand for long-term care[70] is projected to increase by 21.5%. Demand for all outpatient

[69] Projected market demand for inpatient medical and surgical services is based on VA's Enrollee Health Care Projection Model (EHCPM) in bed days of care (BDOC).
[70] Projected market demand for inpatient Long-Term Services and Supports (LTSS) is based on VA's EHCPM in BDOC.

services,[71] including primary care, mental health, specialty care, dental care, and rehabilitation therapies, is projected to increase.

Rurality: 70.6% of enrollees in the market live in rural areas compared to the VA national average of 32.5%.

Access: 49.1% of enrollees in the market live within a 30-minute drive time of a VA primary care site and 37.6% of enrollees live within a 60-minute drive time of a VA secondary care site.

Community Capacity: As of 2019, community providers[72] in the market within a 60-minute drive time of the VAMC had an inpatient acute occupancy rate[73] of 53.6% (357 available beds)[74] and an inpatient mental health occupancy rate of 55.8% (3 available beds). Community nursing homes within a 30-minute drive time of the VAMC were operating at an occupancy rate of 89.7% (14 available beds), indicating limited community availability. Community residential rehabilitation programs[75] that match the breadth of services provided by VA are not widely available in the market.

Mission: VA has academic affiliations in the market that include the University of South Dakota. The Sioux Falls VAMC is ranked 101 out of 154 training sites based on the number of trainees and is ranked 77 out of 103 VAMCs with research funding. The Sioux Falls VAMC has no emergency designation.[76]

Facility Overview

Sioux Falls VAMC: The Sioux Falls VAMC is located in Sioux Falls, South Dakota, and offers inpatient medical and surgical care, inpatient mental health, CLC, and outpatient services. In FY 2019, the Sioux Falls VAMC had an inpatient medical and surgical average daily census (ADC) of 13.0, an inpatient mental health ADC of 4.2, and a CLC ADC of 55.2.

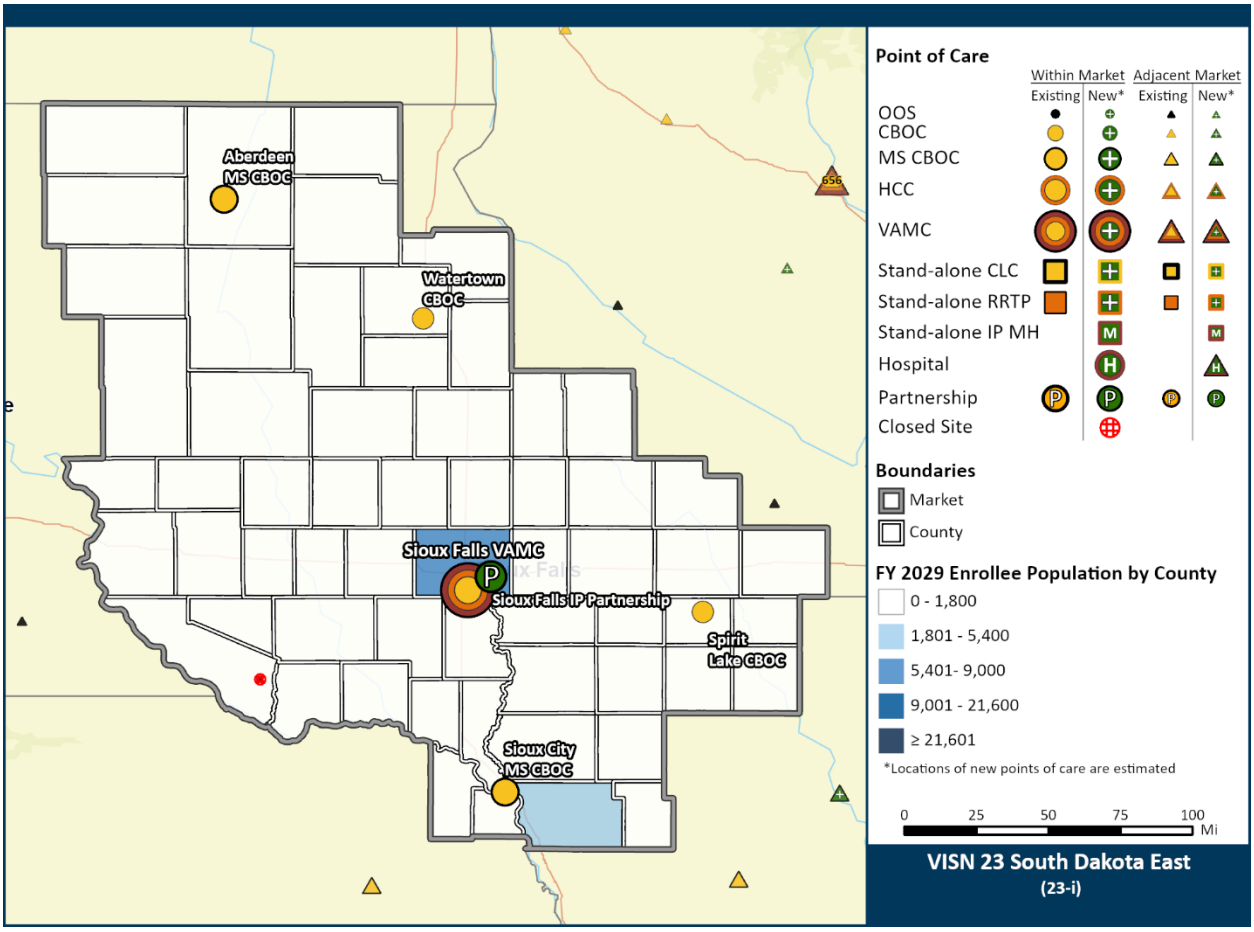
The Sioux Falls VAMC was built in 1948 on 35.0 acres. Facility condition assessment (FCA) deficiencies are approximately $129.5M, and annual operations and maintenance costs are an estimated $8.0M.

[71] Projected market demand for outpatient services is based on VA's EHCPM in relative value units (RVUs).
[72] Community providers include Veterans Community Care Program (VCCP) providers and potential VCCP providers.
[73] Occupancy rates are calculated by dividing the total average daily census (ADC) by the total number of operating beds. Beds at hospitals or nursing homes above the target occupancy rates are excluded.
[74] Available beds in the community are estimated using a target occupancy rate of 80% for hospitals and 90% for community nursing homes.
[75] Includes community residential rehabilitation programs similar to VA's RRTP, blind rehabilitation, and rehabilitative SCI/D services.
[76] VAMCs participating in the National Disaster Medical System are designated as Federal Coordinating Centers. Select Federal Coordinating Centers are also designated as Primary Receiving Centers.

Recommendation and Justification

This section details the VISN 23 South Dakota East Market recommendation and justification for each element of the recommendation.

Future Market Map



1. ***Modernize and realign the Sioux Falls VAMC by:***

   1.1. **Establishing a strategic collaboration to provide inpatient medical and surgical services and discontinuing those services at the Sioux Falls VAMC. If unable to enter into a strategic collaboration, utilize community providers:** At the Sioux Falls VAMC, there is currently low inpatient medical and surgical demand. Community providers have adequate capacity to absorb Veteran demand. The Sioux Falls VAMC had an inpatient medicine ADC of 13.0 in FY 2019, and demand is projected to decrease to 12.4 ADC in FY 2029. As of 2019, community providers within a 60-minute drive time of the Sioux Falls VAMC had an inpatient acute occupancy rate of 53.6% (357 available beds). VA will establish a strategic collaboration to allow VA providers to provide inpatient care in a partner's space. If this type of partnership is not possible, VA recommends transitioning inpatient medical and surgical services to community providers. This transition of care will maintain Veteran access to inpatient medical and surgical services while avoiding quality issues associated with low volume programs.

1.2. **Converting the emergency department at the Sioux Falls VAMC into an urgent care center:** The Sioux Falls VAMC had 8,014 emergency department encounters in FY 2019, which is below the 13,000 encounters to recommend maintaining emergency services. Given the recommendation to relocate inpatient medical and surgical services, the operational expense of an emergency department is not warranted. Utilizing convenient community access points to provide emergency department services and rescoping to an urgent care center will allow the Sioux Falls VAMC to provide access to an appropriate level of care to Veterans with urgent needs.

1.3. **Modernizing the CLC at the Sioux Falls VAMC:** The CLC at the Sioux Falls VAMC had an ADC of 55.2 in FY 2019, operating at over 95% occupancy in its 58-bed facility. Total market demand for CLC beds is projected to increase from 136.8 in FY 2019 to 166.1 in FY 2029, and community capacity is very limited. The addition of 30 new CLC beds using the latest design standard will increase the number of beds at the CLC from 58 to 88 and meet future Veteran demand in the market.

2. ***Modernize and realign outpatient facilities in the market by relocating all services at the Wagner OOS and closing the Wagner OOS:*** This facility is located on tribal property and staffed by VA, but it is separate from the neighboring Indian Health Service (IHS) clinic. The Wagner OOS had 577 core uniques[77] in FY 2019 and is in a highly rural area. Transitioning primary care services from the Wagner OOS to community providers in the South Dakota cities of Mitchell or Yankton, as well as the Wagner IHS clinic, maintains Veteran access to primary care and increases system sustainability.

Complementary Strategy

In addition to the recommendation submitted for AIR Commission approval, VA also anticipates implementing a complementary strategy that supports a high-performing integrated delivery network:

South Dakota East Market

- **Expand telehealth primary care and outpatient mental health access in remote rural areas:** Establishing additional telehealth access in rural areas will strengthen VA's capability to care for Veterans who experience long travel times to VA sites of care. Internet access in rural areas has continued to expand, which creates new opportunities for VA to connect with Veterans in their homes. In areas where internet access remains challenging, VA may also explore opportunities to provide telehealth connectivity in community spaces, if appropriate patient accommodations can be met on site. Potential sites may include Veterans Service Organizations (VSO), State Veterans Homes, County Veteran Service Offices, critical access hospitals, or community clinics.

[77] VA core unique patients exclude Veterans who have used only VA telephone triage, pharmacy, and laboratory services.

Sioux Falls VAMC

- **Expand physical therapy services at the Sioux City CBOC, which may result in the classification of the facility as an MS CBOC:** The Sioux Falls VAMC is the nearest location to the Sioux City CBOC offering outpatient physical therapy services. The Sioux Falls VAMC is approximately 70 minutes (80 miles) away. There are 7,434 enrollees within a 60-minute drive time. Expanding outpatient specialty services at the Sioux City CBOC would bring care closer to Veterans in Woodbury County while decompressing the Sioux Falls VAMC.
- **Relocate low-volume outpatient surgical services currently offered at the Sioux Falls VAMC to community providers in Sioux Falls; maintain high-volume surgeries with reliably staffed outpatient surgical services at the Sioux Falls VAMC:** In FY 2019, there were 1,382 outpatient surgery cases at Sioux Falls VAMC. Surgery service lines with low case volume include ear, nose and throat, obstetrician-gynecologist, thoracic, and vascular. In the Sioux Falls area, there are quality community providers with capacity to absorb outpatient surgical volume from the Sioux Falls VAMC. Partnering with community providers allows the Sioux Falls VAMC to avoid quality concerns associated with maintaining a low-volume service.
- **Establish a strategic collaboration to deliver low-volume outpatient specialty services currently offered at the Sioux Falls VAMC:** The Sioux Falls VAMC is challenged to recruit and retain specialists due to a limited training program and strong community competition for provider staff. Specialty services reporting less than 1.0 full time equivalent (FTE) include dermatology, endocrinology, infectious disease, neurology, ophthalmology, and otolaryngology. Dedicating space and maintaining support staff for small services not operating at a full schedule is costly and a challenge to sustain on a consistent basis and imposes quality concerns. Most specialty services in the community have a surplus of provider staff, creating the opportunity for VA to partner by joint-hires or use of external providers' clinical space to provide services as needed.
- **Increase availability of ophthalmology across the South Dakota East Market to address the potential lack of high-quality ophthalmologists:** As identified by the Section 203 criteria analysis, the potential lack of high-quality ophthalmologists requires increased availability of ophthalmology services across points of care in the South Dakota East Market. Increased availability may be achieved through a variety of tactics such as telehealth, Veterans Community Care Program recruitment, and hiring additional VA providers as appropriate.
- **Relocate any clinical science research and development (CSR&D)/Cooperative Studies programs currently offered at the Sioux Falls VAMC to the proposed new Omaha VA Hospital, the Des Moines VAMC, or other VAMCs within VISN 23 as applicable:** The Office of Research and Development will engage in the planning for the proposed relocation of CSR&D/Cooperative Studies programs. With the relocation of inpatient medical and surgical services to community providers, VA will transition the CSR&D/Cooperative Studies programs from the Sioux Falls VAMC to the proposed new Omaha VA hospital, the Des Moines VAMC, and other VAMCs in VISN 23. This will ensure VA's research mission is not adversely impacted by this service change.
- **Relocate the research programs relying on inpatient acute services currently at the Sioux Falls VAMC to the closest appropriate VA site, such as the proposed new Omaha VA Hospital, the**

Des Moines VAMC, or other facilities within VISN 23 as applicable: The Office of Research and Development will engage in the planning for the proposed relocation of research programs. With the relocation of inpatient acute services to community providers, VA will transition research programs relying on inpatient acute services currently at the Sioux Falls VAMC to the closest appropriate VA site such as the proposed new Omaha VA hospital, the Des Moines VAMC, or other VAMCs in VISN 23. This will ensure VA's research mission is not adversely impacted by this service change.

Cost Benefit Analysis

The Cost Benefit Analysis (CBA) evaluated the costs and benefits of three courses of action (COAs) for the VISN 23 South Dakota East Market: Status Quo, Modernization, and VA Recommendation. Status Quo includes costs associated with FCA deficiencies and represents no significant change in capital and operational costs. Modernization seeks to modernize all existing health care infrastructure. The VA Recommendation implements the market recommendation and seeks to modernize any remaining health care infrastructure.

- **Costs:** The present value cost[78] over a thirty-year period was calculated for each COA, inclusive of capital and operational costs. The capital cost includes costs associated with construction of new facilities, modernization of current facilities, leases, land acquisition, and demolition. VA operational cost includes direct costs (e.g., medical service costs), indirect costs (e.g., administrative costs), and VA special direct costs (e.g., suicide prevention coordinators). Non-VA care costs include direct costs (e.g., payments for patient care), indirect costs (e.g., care coordination), overhead costs (e.g., national program costs), and administrative per member per month costs (e.g., third party administration of the Community Care Network).
- **Benefits:** Benefits were evaluated based on five key domains: Demand and Supply, Access, Facilities and Sustainability, Quality, and Mission.

[78] The present value cost is the current value of future costs discounted at the defined discount rate.

The CBA leveraged both the costs and benefits to generate the Cost Benefit Index (CBI) – a simple metric used to compare the costs and benefits associated with each COA. The COA with the lowest CBI is the preferred COA. The results of the CBA for the VISN 23 South Dakota East Market are provided in the following table. For more detailed information on the market CBA, please see Appendix H.

VISN 23 South Dakota East Market	Status Quo	Modernization	VA Recommendation
Total Cost	$6,577,694,461	$7,008,947,752	$6,680,882,833
Capital Cost	$465,079,897	$896,333,188	$877,093,533
Operational Cost	$6,112,614,564	$6,112,614,564	$5,803,789,299
Total Benefit Score	7	10	12
CBI (normalized in $B)	**0.94**	**0.70**	**0.56**

Note: Operational costs are shifted from VA to non-VA care only when a service line is relocated in totality to non-VA care at the parent facility level. Total cost is a sum of operational costs and capital costs rounded to the nearest dollar.

Section 203 Criteria Analysis

This section provides an overview of how this market recommendation is consistent with the Section 203 decision criteria as required by the MISSION Act. For more detailed information, please see Appendix I.

Demand

This recommendation is consistent with the Demand criterion, aligning VA's high-performing integrated delivery network resources to effectively meet the future health care demand of the Veteran enrollee population with the capacity in the market.

- **Summary:** Following implementation of the recommendation, the capacity available through VA facilities and community providers would be able to support 100% of the projected enrollee demand.
- **Outpatient:** Outpatient demand will be met through five VA points of care offering outpatient services, including the proposed expanded Sioux City, Iowa MS CBOC, as well as community providers in the market.
- **CLC:** Long-term care demand will be met through expanding the CLC at Sioux Falls, South Dakota VAMC, as well as community nursing homes.

The recommendation ensures that projected demand for SCI/D, RRTP, and blind rehabilitation is sufficiently met through VA-only capacity in the respective VISN or blind rehabilitation region.

- **SCI/D:** Demand for inpatient SCI/D will be met through the SCI/D Hub at the Minneapolis, Minnesota VAMC (VISN 23).
- **RRTP:** RRTP demand will be met through facilities within VISN 23 offering RRTP, including the Grand Island, Nebraska VAMC; Omaha, Nebraska VAMC; Des Moines, Iowa VAMC; St. Cloud, Minnesota VAMC; proposed new Rapid City, South Dakota VAMC; proposed new stand-alone RRTP in Iowa City, Iowa; and proposed new RRTP at the Fargo, North Dakota VAMC.

Demand

- **Blind rehabilitation:** Inpatient blind rehabilitation demand will be met through the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Inpatient acute:** Inpatient medicine and surgery demand will be met through the proposed new partnership in Sioux Falls, South Dakota, as well as through community providers; inpatient mental health demand will be met through the Sioux Falls, South Dakota VAMC, as well as through community providers.

Access

This recommendation is consistent with the Access criterion, maintaining or improving Veteran access to care in the market and providing Veterans the opportunity to choose the care they trust throughout their lifetime. The Access criterion evaluates enrollee access to care in the current and proposed future state across multiple service lines. It is evaluated for both the overall enrollee population as well as for specific subpopulations of enrollees that traditionally face barriers to receiving appropriate care, including minority enrollees, enrollees over 65, women enrollees, rural enrollees, and enrollees living in disadvantaged neighborhoods. Below are the access results for both primary care and specialty care among the overall enrollee population.

- **Access to primary care:** Following implementation of the recommendation, the number of enrollees within 30 minutes of primary care available through VA facilities and community providers is projected to be maintained, with 30,183 enrollees within 30 minutes of primary care in the future state.
- **Access to specialty care:** Following implementation of the recommendation, the number of Veterans within 60 minutes of specialty care available through VA facilities and community providers is projected to be maintained, with 30,458 enrollees within 60 minutes of specialty care in the future state.

Mission

This recommendation is consistent with the Mission criterion, providing for VA's second, third, and fourth health related statutory missions of education, research, and emergency preparedness.

- **Education:** The recommendation for this market supports VA's ability to maintain its education mission in VISN 23. The recommendation allows for continued relationships with key academic partners, including but not limited to, the affiliation with the University of South Dakota.
- **Research:** This recommendation does not impact the research mission in the market and allows the Sioux Falls, South Dakota VAMC to maintain the current research mission by relocating research programs relying on inpatient acute services currently offered at the Sioux Falls, South Dakota VAMC to the proposed new Omaha, Nebraska VA Hospital; the Des Moines, Iowa VAMC; or other VAMCs within VISN 23 as applicable.
- **Emergency preparedness:** This recommendation maintains VA's ability to execute its emergency preparedness mission; the Sioux Falls, South Dakota VAMC is not designated as a Primary Receiving Center.

Quality

This recommendation is consistent with the Quality criterion, considering the quality and delivery of health care services available to Veterans in the market, including the experience, safety, and appropriateness of care.

- **Quality among providers:** The recommendation ensures that all providers included within the high-performing integrated delivery network meet the established quality standards by provider type (outlined in Appendix E).
- **Quality improvements through new infrastructure:** Quality is improved through the proposed new Sioux Falls, South Dakota partnership. This new infrastructure will aid in improving the patient experience with care delivery provided in modern spaces and aid in the recruitment of staff with facilities offering the latest technology.
- **Promoting recruitment of top clinical and non-clinical talent:** The recommendation maintains VA's academic and non-academic partnerships, which supports the recruitment and retention of top clinical and non-clinical talent.

Cost Effectiveness

This recommendation is consistent with the Cost Effectiveness criterion, providing a cost-effective means by which to provide Veterans with modern health care. The Cost Effectiveness criterion was assessed through a CBA summarized in the CBA section and detailed in Appendix H.

- **CBI:** The CBI is the primary metric for cost effectiveness. The CBI for the VA Recommendation COA is lower than the Status Quo COA (0.56 for VA Recommendation versus 0.94 for Status Quo), indicating that the VA Recommendation is more cost effective than the Status Quo.

Sustainability

This recommendation is consistent with the Sustainability criterion, creating a sustainable health care delivery system for Veterans. It ensures that the health care delivery system proposed for the market is aligned with future demand, allowing it to sustainably operate and provide a safe and welcoming health care environment that meets modern health care standards.

- **Aligns investment in care and services with projected Veteran care needs:** All facilities in the future state of this market meet the minimum demand threshold to support sustainable services.
- **Sustainability improvements through new infrastructure:** Within this recommendation, sustainability is improved through the proposed new Sioux Falls, South Dakota partnership. This new infrastructure modernizes VA facilities to include state-of-the-art equipment that will aid in the recruitment of providers and support staff. The proposed partnerships also help VA in recruiting and retaining staff, by embedding providers in a community partner space.
- **Reflects stewardship of taxpayer dollars:** The cost of the market recommendation is less than the cost to modernize facilities in the market today ($6.7B for VA Recommendation versus $7.0B for Modernization). In addition, there are benefits realized through the market recommendation in at least one of the five domains assessed by the CBA that are not realized through the modernization approach. As a result, the CBI score for the VA Recommendation COA is lower than the Modernization COA (0.56 for VA Recommendation versus 0.70 for Modernization), reflecting effective stewardship of taxpayer dollars.

VISN 23 South Dakota West Market

The Veterans Integrated Service Network (VISN) 23 South Dakota West Market serves Veterans in western South Dakota and northwestern Nebraska. The recommendation includes justification for the proposed action, the results of the cost benefit analysis, and an overview of how the market recommendation is consistent with the MISSION Act Section 203 selection criteria.[79]

VA's Commitment to Veterans in the South Dakota West Market

The Department of Veterans Affairs (VA) is committed to providing equitable Veteran access to safe and high-quality care and services in VISN 23's South Dakota West Market. We will operate a high-performing integrated delivery network that provides access to VA care, supplemented by care provided by Federal partners, academic affiliates, and community providers.

Based on substantial data analysis, interviews with VISN and VA medical center (VAMC) leaders, consultation with senior VA leadership, and the input received from Veterans and stakeholders, VA has developed a recommendation designed to ensure that Veterans today and for generations to come have access to the high-quality care they have earned. The recommendation also makes sure that VA continues to execute on its additional missions: education and training, research, and emergency preparedness. As VA considers implementing any recommendation approved by the Asset and Infrastructure Review (AIR) Commission, implementation will be carefully sequenced so that facilities or partnerships to which care will be realigned are fully established before the proposed realignment occurs.

Market Strategy

In the South Dakota West Market, enrollees are projected to decrease. Demand for inpatient medical and surgical services and inpatient mental health are projected to decrease, while demand for long-term care and outpatient services is projected to increase. Facing declining enrollment in one of the smallest VA markets, the South Dakota West Market strategy intends to replace historic care delivery facilities with modern facilities located and sized to serve Veterans in the communities where they reside. The market strategy is intended to provide Veterans today and in the future with access to high-quality and conveniently located care in modern infrastructure. Key elements of the strategy are described below:

- **Provide equitable access to outpatient care through modern facilities close to where Veterans live and through the integration of virtual care:** VA's recommendation maintains sustainable outpatient sites and replaces three sites with facilities better aligned with Veteran demand. The recommendation replaces the Hot Springs VAMC with a multi-specialty community-based outpatient clinic (MS CBOC) offering primary care, mental health, and low acuity specialty services. It replaces the Fort Meade VAMC and the Rapid City MS CBOC with two new sites – an MS CBOC in the vicinity of Sturgis, South Dakota, which is adjacent to Fort Meade, and a VAMC

[79] Please see the Volume II Reading Guide for more information concerning the purpose of each Market Recommendation section and key definitions.

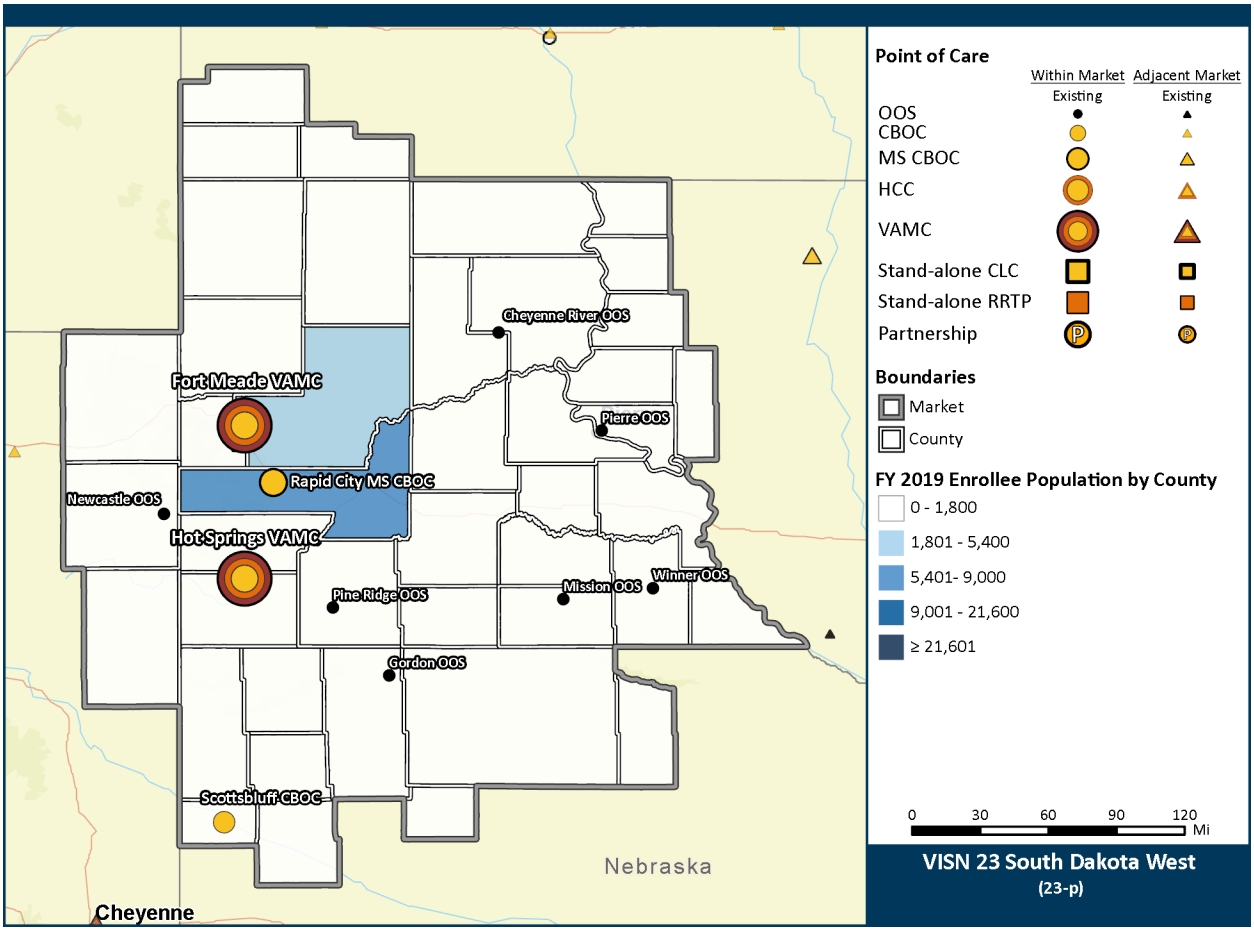
in the vicinity of Rapid City, South Dakota. These facilities offer primary care, mental health, and specialty services to improve access to care in communities where Veterans reside.

- **Enhance VA's unique strengths in caring for Veterans with complex needs:** VA's recommendation builds new partnerships for inpatient mental health services in the vicinity of Rapid City, South Dakota and relocates residential rehabilitation treatment program (RRTP) and community living center (CLC) care to a new, modern VAMC in the vicinity of Rapid City, South Dakota. This recommendation maintains care for Veterans with the most complex needs. Inpatient spinal cord injuries and disorders (SCI/D) and blind rehabilitation are regional services. Inpatient SCI/D services will be provided at the Aurora, Colorado VAMC (VISN 19). Inpatient blind rehabilitation services will be provided through the regional centers, including the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Provide equitable access to quality inpatient medical and surgical care through the optimized use of care delivered in VA facilities and through partnerships, community providers, and virtual care:** VA's recommendation will maintain access to inpatient medical and surgical services through regional or local partnerships with community providers with ongoing care coordination by VA.

Market Overview

The market overview includes a map of the South Dakota West Market, key metrics for the market, and select considerations used in forming the market recommendation.

Market Map



Note: A partnership is a strategic collaboration between VA and a non-VA entity.

Facilities: The market has two VAMCs (Fort Meade and Hot Springs), one MS CBOC, one community-based outpatient clinic (CBOC), and seven other outpatient services (OOS) sites.

Enrollees: In fiscal year (FY) 2019, the market had 21,332 enrollees and is projected to experience a 6.8% decrease in enrolled Veterans by FY 2029. The largest enrollee populations are in the counties of Pennington, Lawrence, and Meade, South Dakota; and Scottsbluff, Nebraska.

Demand: Demand[80] in the market for inpatient medical and surgical services is projected to decrease by 9.8% and demand for inpatient mental health services is projected to decrease by 13.2% between FY 2019 and FY 2029. Demand for long-term care[81] is projected to increase by 6.9%. Demand for all

[80] Projected market demand for inpatient medical and surgical services is based on VA's Enrollee Health Care Projection Model (EHCPM) in bed days of care (BDOC).
[81] Projected market demand for inpatient Long-Term Services and Supports (LTSS) is based on VA's EHCPM in BDOC.

outpatient services,[82] including primary care, mental health, specialty care, dental care, and rehabilitation therapies, is projected to increase.

Rurality: 67.1% of enrollees in the market live in rural areas compared to the VA national average of 32.5%.

Access: 61.0% of enrollees in the market live within a 30-minute drive time of a VA primary care site and 62.6% of enrollees live within a 60-minute drive time of a VA secondary care site.

Community Capacity: As of 2019, community providers[83] in the market within a 60-minute drive time of the VAMCs had an inpatient medical and surgical occupancy rate[84] of 55.0% (140 available beds).[85] There are no inpatient mental health beds within the community. Community nursing homes within a 30-minute drive time of the VAMCs were operating at an occupancy rate of 92.6% (four available beds). Community residential rehabilitation programs[86] that match the breadth of services provided by VA are not widely available in the market.

Mission: VA has academic affiliations in the market that include the University of South Dakota. The Fort Meade VAMC is ranked 130 out of 154 training sites based on the number of trainees. The Hot Springs VAMC does not have a training program. Both VAMCs conduct limited or no research, and neither has an emergency designation.[87]

Facility Overviews

Fort Meade VAMC: The Fort Meade VAMC is located in Fort Meade, South Dakota, and offers inpatient medical and surgical care, inpatient mental health, RRTP, CLC, and outpatient services. In FY 2019, the Fort Meade VAMC had an inpatient medical and surgical average daily census (ADC) of 8.2, an inpatient mental health ADC of 3.4, an RRTP Compensated Work Therapy and Transitional Residence (CWT/TR) ADC of 16.8, including ADC from the Hot Springs, South Dakota CWT/TR facility, and a CLC ADC of 41.2.

The Fort Meade VAMC was built in 1958 on 250.0 acres. Facility condition assessment (FCA) deficiencies are approximately $85.8M, and annual operations and maintenance costs are an estimated $6.5M.

Hot Springs VAMC: The Hot Springs VAMC is located in Hot Springs, South Dakota, and offers inpatient medicine, RRTP, CLC, and outpatient services. In FY 2019, the Hot Springs VAMC had an inpatient medicine ADC of 1.0, an RRTP ADC of 72.1, and a CLC ADC of 5.9.

The Hot Springs VAMC was built in 1926 on 71.0 acres. FCA deficiencies are approximately $89.7M, and annual operations and maintenance costs are an estimated $3.5M.

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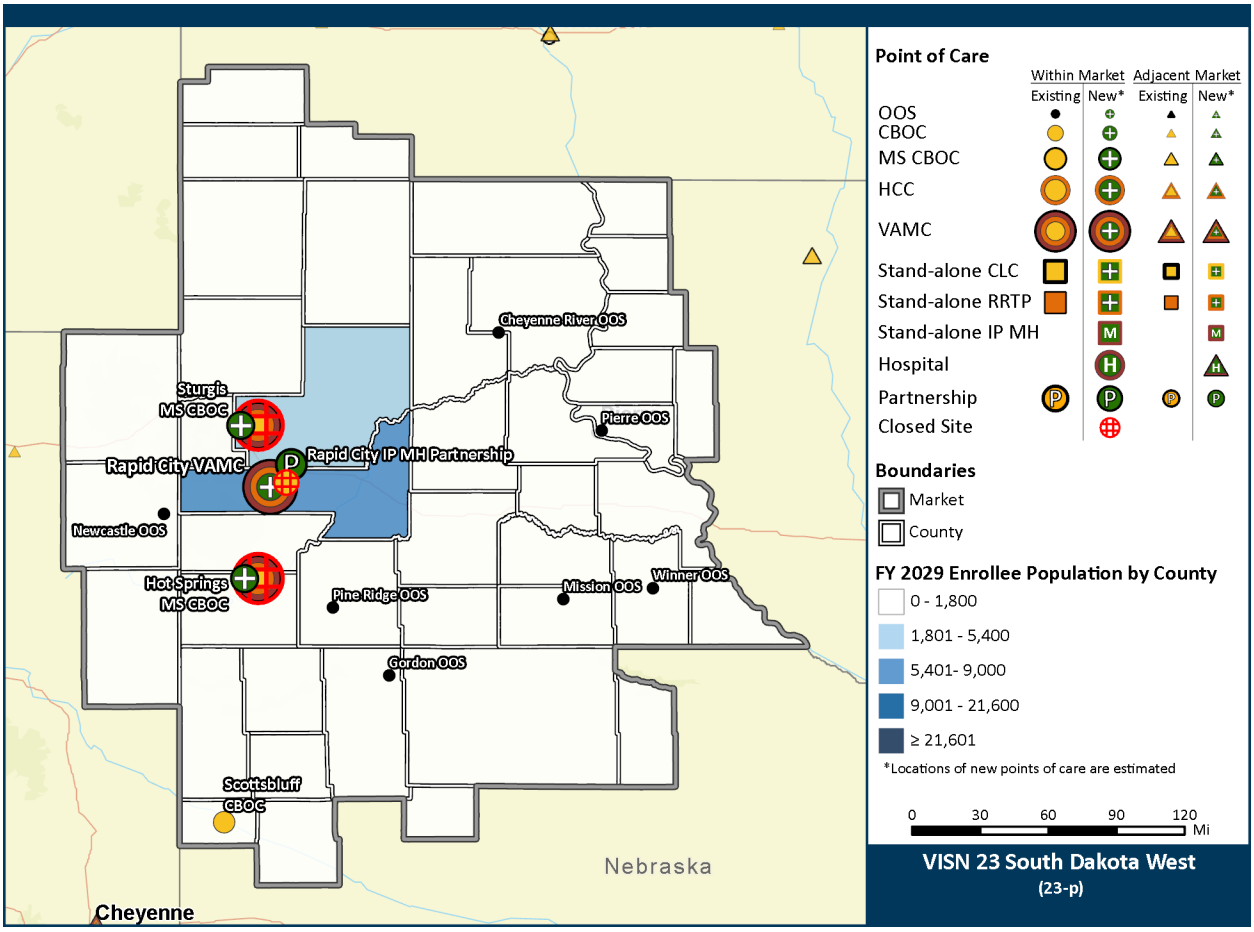
[82] Projected market demand for outpatient services is based on VA's EHCPM in relative value units (RVUs).
[83] Community providers include Veterans Community Care Program (VCCP) providers and potential VCCP providers.
[84] Occupancy rates are calculated by dividing the total average daily census (ADC) by the total number of operating beds. Beds at hospitals or nursing homes above the target occupancy rates are excluded.
[85] Available beds in the community are estimated using a target occupancy rate of 80% for hospitals and 90% for community nursing homes.
[86] Includes community residential rehabilitation programs similar to VA's RRTP, blind rehabilitation, and rehabilitative SCI/D services.
[87] VAMCs participating in the National Disaster Medical System are designated as Federal Coordinating Centers. Select Federal Coordinating Centers are also designated as Primary Receiving Centers.

Recommendation and Justification

This section details the VISN 23 South Dakota West Market recommendation justification for each element of the recommendation.

Future Market Map



1. ***Modernize and realign the market by constructing a new VAMC with CLC, RRTP, and outpatient services in the vicinity of Rapid City, South Dakota:*** Rapid City is the largest population center within the South Dakota West Market. In FY 2019, there were 12,332 enrollees within 60 minutes of the proposed new Rapid City VAMC. With 21,332 enrollees in the market in FY 2019, retaining two VAMCs in the small communities of Fort Meade and Hot Springs with nearly the same service offerings (outpatient, inpatient medical, CLC and RRTP) is not sustainable. The Rapid City VAMC will become a primary location in the market for delivery of specialty care, drawing referrals from rural areas surrounding the city. Veterans residing in Rapid City currently use community care or must travel approximately 35 minutes (31 miles) north to the Fort Meade VAMC, or approximately 60 minutes (58 miles) south to the Hot Springs VAMC, which can be challenging during winter months. A new location is required in place of the existing MS CBOC because the current location does not have space to expand and accommodate outpatient services that will shift from the Fort Meade and Hot Springs VAMCs. The relocation will allow for an increase in primary care, outpatient mental

health, and outpatient specialty care capacity. The new Rapid City, South Dakota, site will be planned for colocation with the new 46 bed RRTP and 54 bed CLC which are to be consolidated from the Fort Meade and Hot Springs VAMCs. The facility will be classified as a VAMC.

2. ***Modernize and realign the Fort Meade VAMC by:***

   2.1. **Relocating CLC and outpatient services provided at the Fort Meade VAMC to current or future VA facilities and discontinuing CLC and outpatient services at the Fort Meade VAMC:** There are 3,142 enrollees residing within 30 minutes and 11,353 enrollees within 60 minutes of Fort Meade VAMC. Fort Meade is located in a rural medical market adjacent to Sturgis, South Dakota. The Fort Meade and Hot Springs VAMCs both have CLC in aged facilities. In FY 2019, the Fort Meade CLC ADC was 41.2 and the Hot Springs CLC had an ADC of 5.9. Rather than retaining the historic Fort Meade site with many buildings not used for the provision of health care services, VA recommends the development of a new VAMC in Rapid City, South Dakota, and a new MS CBOC in Sturgis, South Dakota, to maintain local access to outpatient care in a modern clinic space built to current VA space criteria. Sturgis is approximately two miles from the Fort Meade VAMC.

   2.2. **Relocating inpatient medical and surgical services and emergency department services from the Fort Meade VAMC to community providers and discontinuing inpatient medical and surgical and emergency department services:** There are 3,142 enrollees residing within 30 minutes and 11,353 enrollees within 60 minutes of Fort Meade VAMC. At the Fort Meade VAMC, there is currently low inpatient medical and surgical demand; ADC was 8.2 in FY 2019. The current ADC is drawn from beyond 60 minutes, as Fort Meade is located in a rural medical market adjacent to Sturgis, South Dakota. Emergency demand is also low; there were 6,801 encounters in FY 2019, which is below the recommendation of 13,000 encounters to maintain emergency services. Transitioning inpatient medical and surgical care and emergency services to local community providers maintains Veteran access and minimizes quality risks associated with low patient volumes. The Fort Meade surgical program completed 1,053 cases in FY 2019; inpatient cases comprised 2.9% of total surgeries (31 of 1,053 surgeries). VA can provide access to care for Veterans by establishing a strategic collaboration with surgery providers in Rapid City, South Dakota, where VA surgeons can perform procedures.

   2.3. **Establishing a strategic collaboration to provide inpatient mental health services and discontinuing inpatient mental health services at the Fort Meade VAMC. If unable to enter into a strategic collaboration, utilize community providers:** There are 3,142 enrollees residing within 30 minutes and 11,353 enrollees within 60 minutes of the Fort Meade VAMC. Fort Meade is located in a rural medical market adjacent to Sturgis, South Dakota. Inpatient mental health demand is very low at the Fort Meade VAMC; ADC was 3.4 in FY 2019, and the current ADC is drawn from beyond 60 minutes. Working with community providers to expand inpatient mental health services in Rapid City, South Dakota to accommodate Veteran demand maintains Veteran access and minimizes quality risks associated with low ADC.

   2.4. **Closing the Fort Meade VAMC:** With the transition of services to the new VAMC in Rapid City, South Dakota; the new MS CBOC in Sturgis, South Dakota; and expanded partnerships with community providers, the VAMC may be closed.

3. ***Modernize and realign the Hot Springs VAMC by:***

3.1. Relocating CLC, RRTP, and outpatient services provided at the Hot Springs VAMC to current or future VA facilities and discontinuing CLC, RRTP, and outpatient services at the Hot Springs VAMC: There are 1,030 enrollees residing within 30 minutes and 5,606 enrollees within 60 minutes of the Hot Springs VAMC. The Hot Springs and Fort Meade VAMCs both have CLC programs in aged facilities. In FY 2019, the Hot Springs CLC ADC was 5.9, and the Fort Meade CLC ADC was 41.2. The RRTP, operating as a regional resource in an aged facility, had an ADC of 72.1 in FY 2019. Rather than retaining the historic Hot Springs site with many buildings not used for the provision of health care services, VA recommends the development of a new VAMC in Rapid City, South Dakota, and a new MS CBOC in Hot Springs, South Dakota, to maintain local access to outpatient care in a modern clinic space built to current VA space criteria.

3.2. Relocating inpatient medical services and urgent care services from the Hot Springs VAMC to community providers and discontinuing inpatient medical and urgent care services: There are 1,030 enrollees residing within 30 minutes and 5,606 enrollees within 60 minutes of the Hot Springs VAMC. At the Hot Springs VAMC, there is currently very low inpatient medical and surgical demand; ADC was 1.0 in FY 2019. Urgent care demand is also moderately low; there were 2,955 encounters in FY 2019. Transitioning inpatient medical and urgent care services to local community providers maintains Veteran access and minimizes quality risks associated with low patient volume.

3.3. Closing the Hot Springs VAMC: Following transition of services to the new VAMC in Rapid City, South Dakota, the new MS CBOC in Hot Springs, South Dakota, and community providers, the VAMC may be closed.

4. ***Modernize and realign outpatient facilities in the market by:***

4.1. Establishing a new MS CBOC in the vicinity of Sturgis, South Dakota: A new MS CBOC in the vicinity of Sturgis, South Dakota, will maintain access to primary care, outpatient mental health, and outpatient specialty care services in the most sustainable location in the Fort Meade area. Sturgis is approximately two miles from Fort Meade. In FY 2019, there were 5,217 enrollees within 30 minutes and 11,438 enrollees within 60 minutes of the proposed site. Upon completion of this MS CBOC, the Fort Meade VAMC may be closed.

4.2. Establishing a new MS CBOC in the vicinity of Hot Springs, South Dakota: A new MS CBOC in the vicinity of Hot Springs, South Dakota, will maintain access to primary care, outpatient mental health, and outpatient specialty care services in the Hot Springs area. In FY 2019, there were 1,030 enrollees within 30 minutes and 5,606 enrollees within 60 minutes of the proposed site. Upon completion of this MS CBOC, the Hot Springs VAMC may be closed.

4.3. Relocating all services to the proposed Rapid City VAMC and closing the Rapid City MS CBOC: There were 12,332 enrollees within 60 minutes of the site as of FY 2019. A new location is required in place of the existing MS CBOC because the current location does not have space to expand and accommodate outpatient services that will shift from the Fort Meade and Hot Springs VAMCs. The relocation will allow for an increase in primary care, outpatient mental health, and outpatient specialty care capacity. The new site will be planned for colocation with the new, consolidated RRTP and CLC programs in Rapid City. The facility will be classified as a VAMC. The current Rapid City MS CBOC may be closed upon completion of the new outpatient facilities at the new Rapid City VAMC.

Complementary Strategy

In addition to the recommendation submitted for AIR Commission approval, VA also anticipates implementing a complementary strategy that supports a high-performing integrated delivery network:

South Dakota West Market

- **Conduct joint hiring for surgeons with the community:** VA has difficulty recruiting due to non-competitive salary packages and competition with provider organizations in Rapid City, South Dakota. Based on commercial supply and demand data, there are deficits in certain specialty services, which indicate there is an ongoing challenge with physician capacity in the community to serve Veterans. Current working relationships with community providers are positive. Partnering with the community to hire surgical specialties can prevent competition between VA and the community for physician hiring, improve Veteran access, and reduce the cost of hiring physicians.

Fort Meade VAMC

- **Scale the proposed Rapid City VAMC specialty care services to reflect the Rapid City hospital referral region (HRR)[88]:** Rapid City is the largest population center in the market, is centrally located, and has the greatest concentration of community medical care. The existing Rapid City CBOC serves the local Veteran population and has 6,345 core uniques[89] as of FY 2019. With 12,332 enrollees residing within a 60-minute drive time in FY 2019, it is the most sustainable location for VA specialty care. Scaling services to serve the Veteran population residing within the Rapid City HRR, which includes the Fort Meade and Hot Springs areas, will ensure adequate supply of services for Veterans. This will improve access for many Veterans who currently must travel from Rapid City to Fort Meade or Hot Springs for specialty care.

Cost Benefit Analysis

The Cost Benefit Analysis (CBA) evaluated the costs and benefits of three courses of action (COAs) for the VISN 23 South Dakota West Market: Status Quo, Modernization, and VA Recommendation. Status Quo includes costs associated with FCA deficiencies and represents no significant change in capital and operational costs. Modernization seeks to modernize all existing health care infrastructure. The VA Recommendation implements the market recommendation and seeks to modernize any remaining health care infrastructure.

- **Costs:** The present value cost[90] over a thirty-year period was calculated for each COA, inclusive of capital and operational costs. The capital cost includes costs associated with construction of new facilities, modernization of current facilities, leases, land acquisition, and demolition. VA operational cost includes direct costs (e.g., medical service costs), indirect costs (e.g., administrative costs), and VA special direct costs (e.g., suicide prevention coordinators). Non-VA

[88] Hospital referral regions (HRRs) represent regional health care markets for tertiary medical care.
[89] VA core unique patients exclude Veterans who have used only VA telephone triage, pharmacy, and laboratory services.
[90] The present value cost is the current value of future costs discounted at the defined discount rate.

care costs include direct costs (e.g., payments for patient care), indirect costs (e.g., care coordination), overhead costs (e.g., national program costs), and administrative per member per month costs (e.g., third party administration of Community Care Network).

- **Benefits:** Benefits were evaluated based on five key domains: Demand and Supply, Access, Facilities and Sustainability, Quality, and Mission.

The CBA leveraged both the costs and benefits to generate the Cost Benefit Index (CBI) – a simple metric used to compare the costs and benefits associated with each COA. The COA with the lowest CBI is the preferred COA. The results of the CBA for the VISN 23 South Dakota West Market are provided in the following table. For more detailed information on the market CBA, please see Appendix H.

VISN 23 South Dakota West Market	Status Quo	Modernization	VA Recommendation
Total Cost	$6,304,781,704	$6,332,079,294	$6,000,862,977
Capital Cost	$781,693,163	$808,990,753	$756,060,742
Operational Cost	$5,523,088,541	$5,523,088,541	$5,244,802,235
Total Benefit Score	7	10	14
CBI (normalized in $B)	**0.90**	**0.63**	**0.43**

Note: Operational costs are shifted from VA to non-VA care only when a service line is relocated in totality to non-VA care at the parent facility level. Total cost is a sum of operational and capital costs rounded to the nearest dollar.

Section 203 Criteria Analysis

This section provides an overview of how this market recommendation is consistent with the Section 203 decision criteria as required by the MISSION Act. For more detailed information, please see Appendix I.

Demand

This recommendation is consistent with the Demand criterion, aligning VA's high-performing integrated delivery network resources to effectively meet the future health care demand of the Veteran enrollee population with the capacity in the market.

- **Summary:** Following implementation of the recommendation, the capacity available through VA facilities and community providers would be able to support 100% of the projected enrollee demand.
- **Outpatient:** Outpatient demand will be met through 11 VA points of care offering outpatient services, including the proposed new Rapid City, South Dakota VAMC; the proposed new Sturgis, South Dakota MS CBOC; and the proposed new Hot Springs, South Dakota MS CBOC; as well as community providers in the market.
- **CLC:** Long-term care demand will be met through the proposed new Rapid City, South Dakota VAMC, as well as community nursing homes.

The recommendation ensures that projected demand for SCI/D, RRTP, and blind rehabilitation is sufficiently met through VA-only capacity in the respective VISN or blind rehabilitation region.

- **SCI/D:** Demand for inpatient SCI/D will be met through the SCI/D Hub at the Aurora, Colorado VAMC.
- **RRTP:** RRTP demand will be met through the proposed new Rapid City, South Dakota VAMC, and the other facilities within VISN 23 offering RRTP, including the Grand Island, Nebraska VAMC; Omaha, Nebraska VAMC; and Des Moines, Iowa VAMC; St. Cloud, Minnesota VAMC; proposed new RRTP at the Fargo, North Dakota VAMC; and proposed new stand-alone RRTP in Iowa City, Iowa.
- **Blind rehabilitation:** Inpatient blind rehabilitation demand will be met through the proposed replacement Hines, Illinois VAMC (VISN 12).
- **Inpatient acute:** Inpatient medicine and surgery demand will be met through community providers and inpatient mental health demand will be met through the proposed new partnership in Rapid City, South Dakota, as well as through community providers.

Access

This recommendation is consistent with the Access criterion, maintaining or improving Veteran access to care in the market and providing Veterans the opportunity to choose the care they trust throughout their lifetime. The Access criterion evaluates enrollee access to care in the current and proposed future state across multiple service lines. It is evaluated for both the overall enrollee population as well as for specific subpopulations of enrollees that traditionally face barriers in receiving appropriate care, including minority enrollees, enrollees over 65, women enrollees, rural enrollees, and enrollees living in disadvantaged neighborhoods. Below are the access results for both primary care and specialty care among the overall enrollee population.

- **Access to primary care:** Following implementation of the recommendation, the number of enrollees within 30 minutes of primary care available through VA facilities and community providers is projected to be maintained, with 19,960 enrollees within 30 minutes of primary care in the future state.
- **Access to specialty care:** Following implementation of the recommendation, the number of Veterans within 60 minutes of specialty care available through VA facilities and community providers is projected to be maintained, with 20,585 enrollees within 60 minutes of specialty care in the future state.

Mission

This recommendation is consistent with the Mission criterion, providing for VA's second, third, and fourth health related statutory missions of education, research, and emergency preparedness.

- **Education:** The recommendation for this market supports VA's ability to maintain its education mission in VISN 23. The recommendation allows for continued relationships with key academic partners.
- **Research:** This recommendation does not impact the research mission in the market; the Fort Meade, South Dakota VAMC and Hot Springs, South Dakota VAMC do not have research programs.[91]
- **Emergency preparedness:** This recommendation maintains VA's ability to execute its emergency preparedness mission; the Fort Meade, South Dakota VAMC and Hot Springs, South Dakota VAMC are not designated as Primary Receiving Centers.

[91] Research programs were determined by FY 2021 total VA-funded research dollars per Research and Development Information System (RDIS).

Quality

This recommendation is consistent with the Quality criterion, considering the quality and delivery of health care services available to Veterans in the market, including the experience, safety, and appropriateness of care.

- **Quality among providers:** The recommendation ensures that providers included within the high-performing integrated delivery network meet the established quality standards by provider type (outlined in Appendix E).
- **Quality improvements through new infrastructure:** Quality is improved through the proposed new Rapid City, South Dakota VAMC; Sturgis, South Dakota MS CBOC; Hot Springs, South Dakota MS CBOC; and partnership in Rapid City, South Dakota. This new infrastructure will aid in improving the patient experience with care delivery provided in modern spaces and aid in the recruitment of staff with facilities offering the latest technology.
- **Promoting recruitment of top clinical and non-clinical talent:** The recommendation maintains VA's academic and non-academic partnerships, which supports the recruitment and retention of top clinical and non-clinical talent.

Cost Effectiveness

This recommendation is consistent with the Cost Effectiveness criterion, providing a cost-effective means by which to provide Veterans with modern health care. The Cost Effectiveness criterion was assessed through a CBA summarized in the CBA section and detailed in Appendix H.

- **CBI**: The CBI is the primary metric for cost effectiveness. The CBI for the VA Recommendation COA is lower than the Status Quo COA (0.43 for VA Recommendation versus 0.90 for Status Quo), indicating that the VA Recommendation is more cost-effective than the Status Quo.

Sustainability

This recommendation is consistent with the Sustainability criterion, creating a sustainable health care delivery system for Veterans. It ensures that the health care delivery system proposed for the market is aligned with future demand, allowing it to sustainably operate and provide a safe and welcoming health care environment that meets modern health care standards.

- **Aligns investment in care and services with projected Veteran care needs:** All facilities in the future state of this market meet the minimum demand threshold to support sustainable services.
- **Sustainability improvements through new infrastructure:** Within this recommendation, sustainability is improved through the proposed new Rapid City, South Dakota VAMC; Sturgis, South Dakota MS CBOC; Hot Springs, South Dakota MS CBOC; and partnership in Rapid City, South Dakota. This new infrastructure modernizes VA facilities to include state-of-the-art equipment that will aid in the recruitment of providers and support staff.
- **Reflects stewardship of taxpayer dollars:** The cost of the market recommendation is less than the cost to modernize facilities in the market today ($6.0B for VA Recommendation versus $6.3B for Modernization). In addition, there are benefits realized through the market recommendation in at least one of the five domains assessed by the CBA that are not realized through the modernization approach. As a result, the CBI score for the VA Recommendation COA is lower than the Modernization COA (0.43 for VA Recommendation versus 0.63 for Modernization), reflecting effective stewardship of taxpayer dollars.