

CONGRESSIONAL BUDGET JUSTIFICATION
FISCAL YEAR 2015

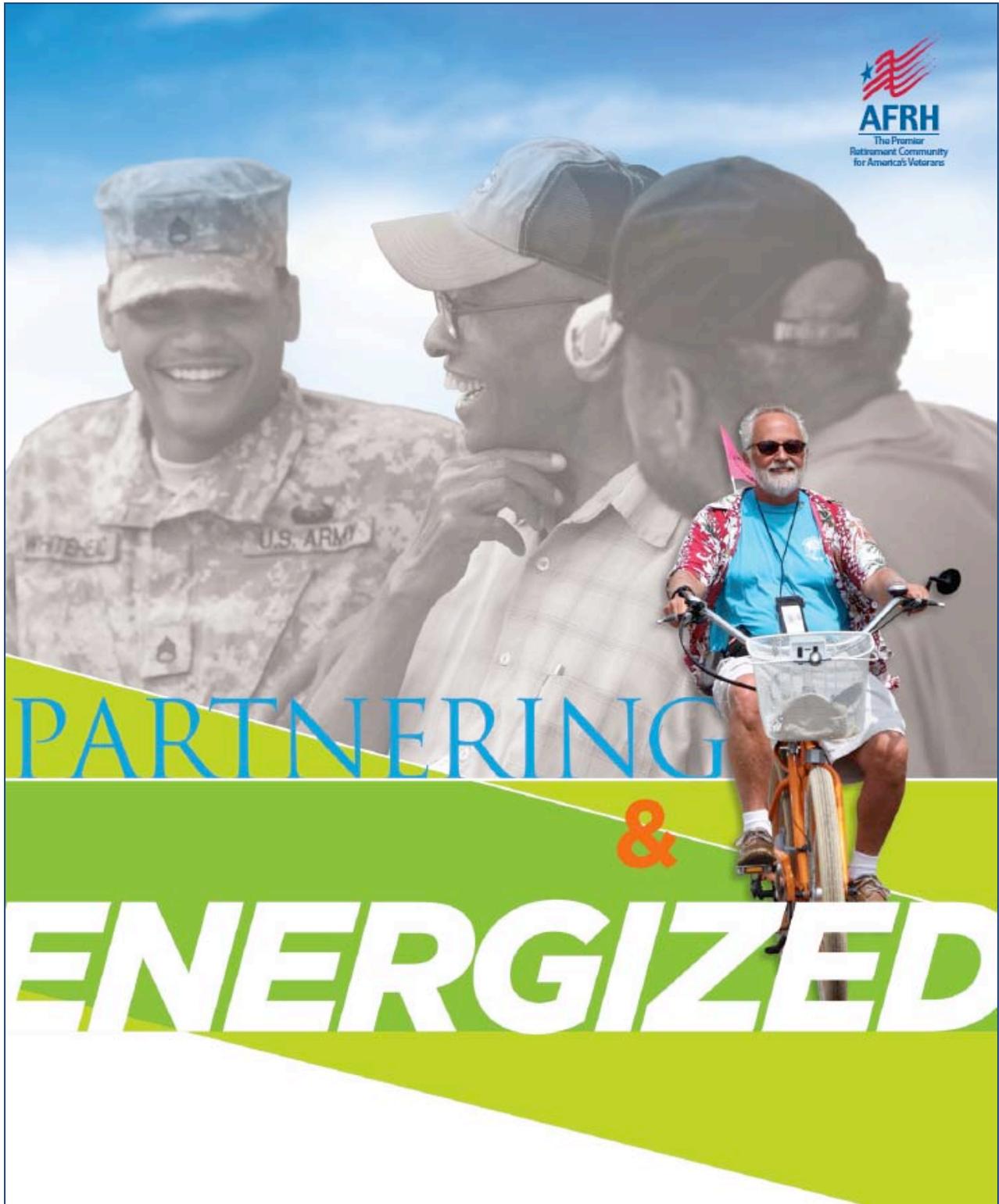
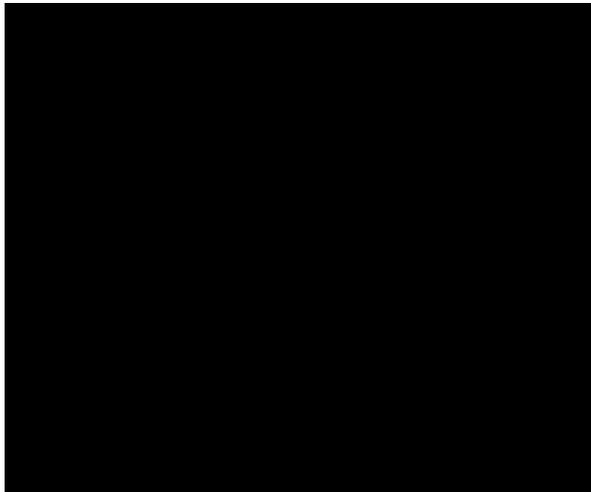


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US Coast Guard partners with AFRH-W to clean up the Washington DC ponds.



APPROPRIATIONS LEGISLATION

ARMED FORCES RETIREMENT HOME

TRUST FUNDS

For expenses necessary for the Armed Forces Retirement Home to operate and maintain the Armed Forces Retirement Home-Washington, District of Columbia, and the Armed Forces Retirement Home-Gulfport, Mississippi, to be paid from funds available in the Armed Forces Retirement Home Trust Fund, \$63,400,000, of which \$1,000,000 shall remain available until expended for construction and renovation of the physical plants at the Armed Forces Retirement Home-Washington, District of Columbia, and the Armed Forces Retirement Home-Gulfport, Mississippi.

(Military Construction and Veterans Affairs, and Related Agencies Appropriations Act, 2014.)

INTRODUCTION

The Armed Forces Retirement Home (AFRH) is proud to present the Congressional Budget Justification for Fiscal Year (FY) 2015.

In 2015, AFRH will continue to focus on improving health care through broadening partnerships, identifying , identifying additional Person-centered Care (PCC) opportunities, implementing health care accreditation recommendations, hiring additional Federal staff to replace permanent professional positions and proceeding with the sale / lease of our 77 acres in AFRH-W.

AFRH will continue to expand partnerships with local and military health care providers. These partnerships provide additional services for our Residents and benefits to the local providers. Through our partnerships, AFRH is currently benefiting from sub-specialty clinical care to our Residents, providing training opportunities for physician residency students, and hosting LPN student rotations. Our goal is to expand these partnership in 2015 to include additional sub-specialty clinical care support, AFRH staff health care training / classes and memory support services.

AFRH has been steadily moving towards PCC—an AFRH’s overarching Resident and staff philosophy. We have advanced PCC on every level of the Home with improved wellness therapy and services, American Disability Act (ADA) compliance, increased dining choices, additional Resident recreation opportunities and completed vital capital improvements. AFRH has made advances in staff training and employee performance improvement plans. These advances make the AFRH an agency constantly aspiring and steadily evolving to provide a better environment for our Residents and staff. Each AFRH employee, partner, and contractor works hard to support our Residents, mission and vision.

To reduce our reliance on contractor health care staff, AFRH plans to increase recruiting and selection of Federal health care employees to meet the HHS recommended increased daily hourly (3.5 to 4.1) ratio per upper-level resident and replace health care contractors for permanent health care positions. Not only does increasing our Federal health care staff result in significant contractor cost savings but also provides the added benefits of stronger oversight of our health care staff who provide hands-on care to our Residents. Insourcing affords AFRH greater flexibility for mandatory overtime and emergency staffing to ensure the safety and well-being of our Residents. AFRH will continue to rely on outsourcing, where appropriate, to supplement our full-time positions and for other occupations.

Now that the Washington DC real estate market has improved, AFRH has initiated the process of soliciting proposals to lease / sale our underutilized 77 acres. Working with our GSA business partner, AFRH is updating required environmental documents and plans to release the solicitation in Summer 2014.

ACCREDITATION & OVERSIGHT

As the AFRH moves forward, the insight of various assessments, accreditation and oversight organization reviews are essential to continue our progress to date.

To ensure adequate oversight of AFRH and provide support, the Secretary of Defense provides authority, direction and control. The Secretary of Defense has delegated these responsibilities to the Under Secretary of Defense Personnel & Readiness (P&R) and the Assistant Secretary of Defense Readiness and Force Management. The oversight and support AFRH receives from Department of Defense (DoD) is invaluable in meeting our vision and mission.

AFRH has been an accredited Continuing Care Retirement Community (CCRC) by one of the leading healthcare authorities, the Commission on Accreditation of Rehabilitation Facilities (CARF)

since 2008, and our current CARFs accreditation is valid through FY 2016. This organization makes key operational observations for a retirement home and offers invaluable feedback. One of their recommendations was to strengthen our accreditation process with adding an external health care assessment.

In FY13 to begin the process of acquiring a health care assessment, AFRH contracted with Joint Commission Resources, INC (JCRINC) to perform an initial health care assessment for both Campuses. The JCRINC recommendations will assist AFRH in preparing for our upcoming health care accreditation review by The Joint Commission (TJC). In the last quarter of FY14 to meet ambulatory and nursing care accreditation, AFRH will complete its health care accreditation survey by TJC. AFRH managers and staff are diligently working to implement JCRINC recommendations in preparation for our health care accreditation survey.

In FY15, AFRH will continue to focus on improving our health care by completing TJC recommendations, streamlining and standardizing health care processes and meeting the annual requirements to retain our CARF accreditation and prepare for our bi-annual DoD Inspection.

TRUST FUND SOLVENCY

While our achievements are impressive, high costs have been associated with recent capital improvements. As predicted, the withdrawal from the Trust Funds to support the 5-year Scott Project significantly reduced our Trust Fund Balance. As we move from a capital improvement period to a sustainability period, Trust Fund withdrawals for capital projects are expected to decline and stabilize.

AFRH completed a Trust Fund Solvency Study which predicted Trust Fund solvency over the long run. The Trust Fund Solvency Study anticipated the withdrawal of funds to support the Scott Project but also assumed current revenue sources would remain within historical variations. However, an unexpected drop in our largest revenue source, Fines and Forfeitures, was at an unprecedented low and requires AFRH to reassess the Trust Fund Solvency Study.

In FY15, AFRH will continue to support key health care initiatives and seek new revenue sources. Our key cost driver in FY15 continues to be the rising cost of health care. AFRH believes that moving further towards a Federal health care staff will assist in managing these rising costs. Our efforts are focused on harnessing and directing resources from other areas to support health care requirements.

CAPITAL IMPROVEMENTS

AFRH has finally realized revitalization that came from 11 years of strategic planning. Through our revitalization efforts, management has significantly improved Resident services and staff performance. Moreover, Agency objectives have been achieved with visionary planning by staff members and business partners. The rebuilding of the AFRH-Gulfport (AFRH-G) facility after Hurricane Katrina, the construction of the new AFRH-Washington, DC (AFRH-W) Scott Building, and the extensive repairs from the 2011 DC earthquake produced two high-quality facilities to serve our veterans. Recent facility upgrades at both locations advance Person-centered Care (PCC), comply with current health care facility standards, and support an aggressive cost-containment strategy. The three year-old energy-efficient AFRH-G facility has demonstrated solid savings, and in its first year, AFRH-W's new Scott Building is already showing far-reaching energy and cost efficiencies.

FY 2013 marked the completion of the AFRH-W Scott Project—the goal of this multi-faceted endeavor was to support PCC initiatives and reduce costs. The Project reduced our Washington DC footprint on sprawling grounds, identified and eliminated excessive maintenance of an aging and inefficient infrastructure, and improved Resident wellness to stave off costly Resident Upper Level Care. In FY 2013 we also completed repairs to the AFRH-W historic buildings damaged by the 2011 earthquake. Emergency funding from Congress and the President provided restoration to the Sherman Building, Sheridan Building, and our historic Quarters.

In FY14, AFRH Capital Improvement Projects will focus on security and consist of initiatives to enhance exterior and parameter security, replacement the AFRH-W fire alarm system and upgrade

our Upper-Level Care Resident patient monitoring system. With the completion of major construction projects at both Campuses, in FY15 AFRH will focus on facilities sustainment through preventive maintenance, emergency repairs and planned improvement projects to slow the degradation of our infrastructure. Our capital improvement plan includes the design to replace AFRH-W water infrastructure and some much needed road and sidewalk repairs. The current pipes are 70-90 years old and are well past their anticipated life.

AFRH-W FOOTPRINT REDUCTION

Once AFRH-W Scott and Sheridan buildings construction projects were completed, AFRH was able to begin reducing our footprint and reduce O&M. Our footprint reductions began with closing the LaGarde Building, our aging and inefficient standalone health care facility--providing Residents easy access to Campus facilities, yielding significant energy savings and eliminating costly transportation contracts to shuttle Residents and staff for meals, recreation activities, health care, and visitation with friends. Now, all Resident activity revolves around the new Scott Building and the historic quadrangle keeping Resident safe by reducing the distance they must travel.

Completing the Scott Project, closing the LaGarde facility and installing energy efficient heating / cooling systems then allowed AFRH to close the aging and inefficient Heating Plant. The new heating/cooling system is less costly and more energy efficient. The benefits of our energy initiatives reduced overall energy consumption, utility bills and greenhouse gases. Both campuses now boast modern amenities and LEED certified buildings. Our green initiative, Campaign to Conserve, is educating staff and Residents alike about our environmental initiatives that are saving energy and money.

In FY14, AFRH will work with our partners to lease underutilized buildings. AFRH is advertising available buildings to interested Federal and private parties. Available facilities include the historic Grant Building, sections of the Sherman Building, closed Heating Plant, and the LaGarde Building. AFRH is currently in discussions with several interested parties. The leasing of these buildings will not only reduce AFRH-W O&M costs but will also provide an additional revenue source.

In FY15, AFRH will work towards completing our approved Master Plan to lease or sale 77 acres of underutilized land which is located on the southern part of our facilities. AFRH is studying the benefits of lease / sale to both private sector and Federal entities. The sale or lease of this land further reduces our AFRH-DC footprint while retaining our secure AFRH-W Campus.

PARTNERSHIPS

To further invigorate our facilities in Gulfport, MS, and Washington, DC, we continuously develop partnerships with the surrounding communities. Through our increased emphasis on promoting partnerships, even more individuals and groups have become interested in the energized atmosphere and are willing to participate in a wider variety of volunteer activities. With an eye on enhancing care and increasing visibility, AFRH managers are seeking and successfully engaging military members, local businesses, government officials, volunteers, community groups, neighbors, veteran service organizations, and civic leaders. The result is already visible: new community events, additional dedicated volunteers, broader range of recreation programs, and added human energy.

In FY15, AFRH will continue to build, promote and strengthen relationships with our existing partners and seek ways to build new partnerships. Our focus will be on continuing to build partnerships with local military hospitals to further enhance health care, identify additional volunteer opportunities, and enhance recreation opportunities by utilizing the wide variety of volunteers' knowledge and skills.

Throughout FY 2013 and FY 2014, AFRH renewed emphasis on working with partners. To keep the strong relationships we have developed, we must continually satisfy, impress, and empower our stakeholders, supporters, contributors, and friends. These partnerships continue to invigorate our dynamic programs and expand our great service. AFRH partners participate in programs, activities, and celebrations. Partners supported projects such as the putting green at AFRH-G and the maintenance of the ponds at AFRH-W to enhance Resident recreation services. Assistance, gifts, and friendship are AFRH partners' main contributions to our Residents.



STRATEGIC PLAN FRAMEWORK

VISION:

A retirement community committed to excellence, fostering independence, vitality and wellness for Veterans, making it a vibrant place in which to live, work and thrive.

MISSION:

To fulfill our nation's promise to its Veterans by providing a premier retirement community with exceptional Residential care and extensive support services.

GUIDING PRINCIPLES:

Person-Centered: "Person-centered Care" is defined as the careful manner in which Resident needs are considered while developing responsive plans of care and delivering meaningful services.

Accountability: We expect our workforce to achieve what we promise to Residents, staff and service partners. To ensure success, we measure progress and provide feedback to our customers.

Integrity: We will strongly uphold the mission of AFRH. We are honest and ethical and deliver on our commitments. We recognize that good ethical decisions require individual responsibility enriched by collaborative efforts.

Workforce Growth: We strive to hire and retain the most qualified people. We maximize their success through training and development as well as maintaining and promoting open communication.

Honor Heritage: We honor the rich history of the US Armed Forces—from our Veterans to our victories, as such; our Campus reflects that military heritage with memorabilia and tributes.

Inspire Excellence: We continuously work to improve each process, service and its delivery, while striving for excellence in all we do. We expect excellence and reward it.

One Vision / One Mission / One Organization: Success depends on our devotion to an unwavering Vision and Mission. Working together in different locations, under various managers and leaders, we maintain a distinct focus to serve our Residents. We collaborate and respond in a unified and single voice.

STRATEGIC GOALS:

EMBRACE RESIDENT-CENTERED CARE: Each person will understand each Resident's individual needs and take realistic action to fulfill them within AFRH resources and capabilities.

MAINTAIN EXCEPTIONAL STEWARDSHIP: Pursue and implement innovative ways to deflect, reduce, and manage costs by maximizing assets, resources, and programs to fulfill needs and wishes of current / future Residents.

PROMOTE A STAFF-CENTERED ENVIRONMENT: Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.

LEVERAGE EXTERNAL STAKEHOLDERS:

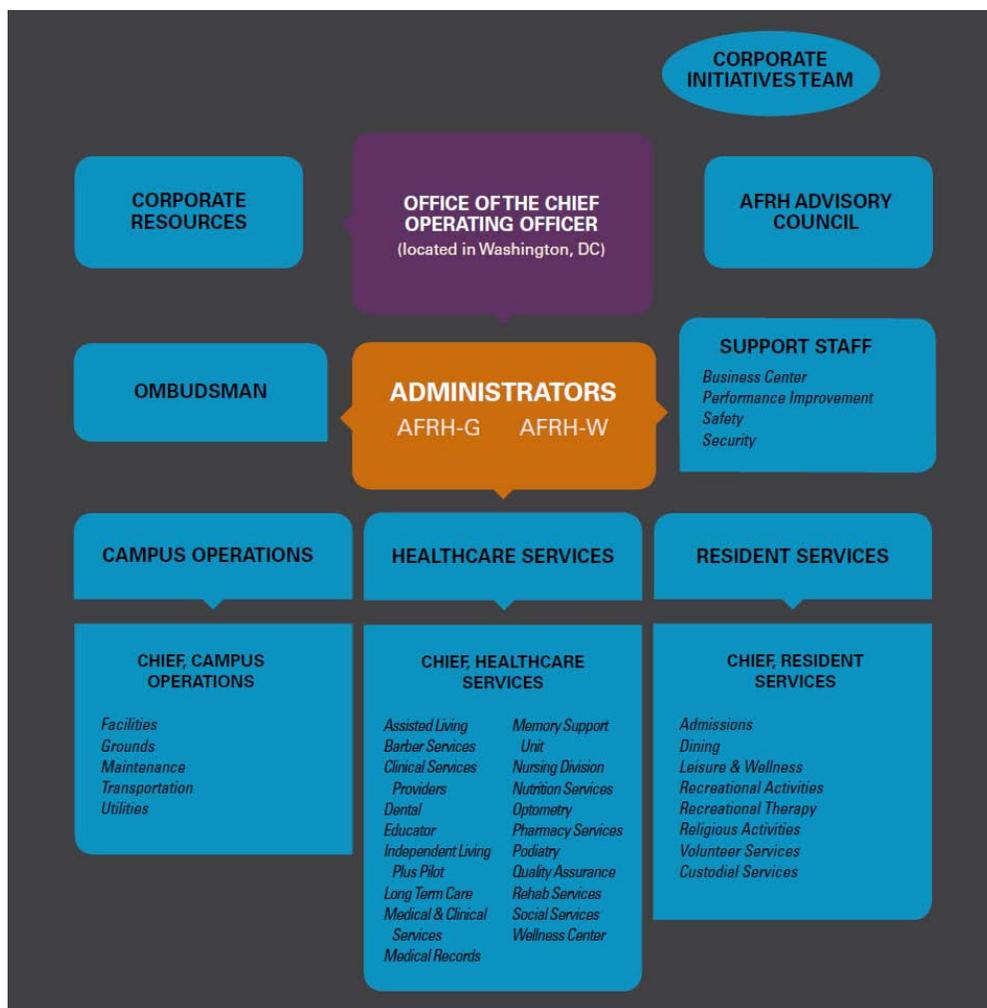
Harness, cultivate and focus our external stakeholders to become increasingly active participants who are engaged in AFRH operations in each of the next five years.

AFRH Organization

AFRH is a unique Federal Agency that it is classified as a Continuing Care Retirement Community (CCRC) and is operated just like many retirement homes. AFRH is organized in a contemporary business establishment, with a corporate office that manages independent functioning retirement communities in two different locations. This arrangement allows the corporate office to make strategic decisions, as well as communicate with Congress, DOD, other Federal Agencies and stakeholders.

Using the successful “One Vision, One Mission, One Organization” philosophy for all operations, each Home has an Administrator who reports to the Chief Operating Officer (COO) with oversight from the Secretary of Defense, delegated to Under Secretary of Defense (Personnel & Readiness) and the Assistant Secretary of Defense (Readiness and Force Management).

The COO and his staff manage Corporate affairs, and they are responsible for developing overall policy and procedures for the Agency and its two communities. Corporate makes strategic decisions that advance the Agency and provide effective communications to keep Congress, DoD and constituents informed. Campus Administrators manage the day-to-day operations of their facility and respond to local Resident needs.





FY 2013 KEY EVENTS AND ACCOMPLISHMENTS--PARTNERING AND ENERGIZED

October 2012

AFRH-Gulfport

- Two-year anniversary of the opening of 'new and improved' facility
- Fall Games for Residents
- Hosted "Cruisin the Coast," with hundreds of Classic Cars cruising at AFRH and up and down US 90

AFRH-Washington, DC

- Hosted the 55th Annual Antique Car Show
- Hosted 5th Annual Bike race

November 2012

- 8th consecutive annual Unqualified Audit Opinion

AFRH-Gulfport

- Hosted the 2nd annual Community Day Open House on Veterans Day

AFRH-Washington, DC

- Newly renovated Eagle Gate opened
- AFRH-Washington, DC hosted the AFRH Advisory Council meeting

December 2012

AFRH-Gulfport

- Calendar Girls (created by AFRH-G Residents) raised \$20,000 to support Feed my Sheep charity

AFRH-Washington, DC

- First Annual Ladies Tea held in historic President Lincoln's Cottage

January 2013

- 2012 AFRH Ethics Program Review passed
- Senior TV implemented reducing cable and internet costs for Residents

AFRH-Gulfport

- Souvenir Shop opened by Resident Advisory Committee

AFRH-Washington, DC

- GSA turned over Scott Building to AFRH-W

February 2013

- Renovated Sherman Building opened allowing relocation of Corporate Offices

AFRH-Gulfport

- Air Force hand crafted USAF emblem donated and mounted in the Hall of Honors by 366 Training Squadron, Keesler AFB

AFRH-Washington, DC

- Scott Building opened for occupancy

March 2013

AFRH-Gulfport

- Working affiliation agreement with University of South Alabama for geriatric nurse practitioner rotation.
- Established MOU with Singing River Health System for Behavioral Health Services.

AFRH-Washington, DC

- Upper Level Care Residents moved from LaGarde to new facilities
- LaGarde Building closed

April 2013

- AFRH received the ABILITYONE PROGRAM CUSTOMER AWARDS 2012 National Achievement Award from National Industries for the Severely Handicapped (NISH)

AFRH-Gulfport

- Senior Games held
- Garden Day Open House
- Volunteer Appreciation Cook Out
- Hosted the AFRH Advisory Council meeting

AFRH-Washington, DC

- Quarterly employee awards breakfast held for the first time in the Scott Community Center
- "Poetry in the House" social honoring National Poetry Month

May 2013

- First internal video telephone conference trial successful between AFRH-G and AFRH-W

AFRH-Gulfport

- Nurses Week celebration
- Department of Defense Personnel and Readiness (P&R) perform onsite review

AFRH-Washington, DC

- Spring Fling with Friends of the Home and local neighbors
- Cherry trees planted on the quadrangle
- Recreation Services hosted its first "Fun Day" with a cookout, patio games and a live band
- Department of Defense Personnel and Readiness (P&R) perform onsite review

June 2013

- 508 compliance attained
- Defense Equal Opportunity Management Institute (DEOMI) culture survey completed
- Initiated implementation of Department of Defense (DoD) Personnel and Readiness (P&R) recommendations

AFRH-Gulfport

- Flag Day with local SEABEES

AFRH-Washington, DC

- Rock N Roll Cookout to celebrate the first day of summer

July 2013

- AFRH Korean War Veterans traveling to Korea with other Korean War Veterans July 24-30

AFRH-Gulfport

- 4th of July Community celebration

AFRH-Washington, DC

- Red/White/Blue Luncheons for Veteran Service Organizations (VSO) and military coalitions resumed since suspended in 2011 due to earthquake damage
- Scale Gate closed
- Korean delegation visit
- 4th of July Community celebrations with Friends of the Soldiers' Home

August 2013

- AFRH moves to the Cloud for agency-wide email

AFRH-Gulfport

- New Ombudsman, Master Chief Donald Kirk, joins staff

AFRH-Washington, DC

- Opened Dental Clinic in Scott, ending the need for mobile dental facilities
- AFRH-W Open House for partners, friends, and families to visit the new Scott and the restored historic buildings

September 2013

- AFRH implements electronic Resident database system to streamline and consolidate patient records

AFRH-Gulfport

- Special ceremony in observance of National POW/MIA day

AFRH-Washington, DC

- AFRH-W and President Lincoln's Cottage (PLC) host 2nd Annual Family Day



AFRH STRATEGIC GOALS

AFRH leadership emphasizes the importance of performance results and has made great strides in the past decade. AFRH managers and staff are always actively seeking improvements to provide the very best services to our Resident Veterans and meet our Agency strategic goals.

For FY 2013, the AFRH continued to follow the FY 2011-2015 Strategic Plan. Those four high performance strategies form the basis of AFRH specific targets. In keeping with Federal guidelines, the AFRH has updated its Strategic Plan for FY 2014 and created the Annual Performance Plan for FY 2014. From our Key Strategic Performance Goals AFRH developed Business Plans at the corporate and Campus levels. These Business Plans yield action plans for Corporate and the Campuses.

In FY 2014, an effort is underway to strengthen the link between AFRH Strategic Plan/Business Plans and staff performance appraisals. New staff performance plans will be introduced in July which link each employee rating to one of AFRH's Strategic Goals. Training is being provided for staff to educate employees on how their personal contributions fit into the larger AFRH strategy and specifically into our Person-centered Care (PCC) model.

FY 2013 targets, measures and results:

Goal 1: Embrace Resident-Centered Care: Each person will understand each Resident's individual needs and take realistic action to fulfill them within AFRH resources and capabilities.

Goal 1 Performance Measures

CARF Accreditation

MET

TARGET: CARF Accreditation Maintained

RESULT: CARF Accreditation valid thru FY 2016

The AFRH is required by statute to be accredited by a nationally recognized organization overseeing such functions as AFRH performs. Both AFRH-G and AFRH-W currently hold CARF accreditation through FY 2016. Each year CARF recommendations are reviewed, implementation actions initiated, and implementation noted in Quality Improvement Plans (QIP). CARF monitors updates to the QIP. AFRH successfully completed our annual requirements that extended our accreditation to 2016.

In addition to maintaining CARF Accreditation, DoD P&R also conducted a series of oversight activities in FY 2013 of the AFRH operations to supplement the nationally accredited retirement living inspections. Their recommendations were reviewed and action plans created and implemented in the 3rd and 4th quarters. P&R is monitoring the progress of these improvements as they are implemented.

Percentage of Resident satisfaction

MET

TARGET: 70% of Residents Surveys rated AFRH as Outstanding and Very Good

RESULT: 82% of Residents rated AFRH as Outstanding or Very Good

In FY 2013 the average satisfaction rate based on customer service questions was 82% which exceeds our goal of 70%. AFRH has annual targeted surveys, established through

experience, to determine Resident satisfaction in high priority areas. FY13 Resident Surveys included:

- Dining
- Facilities, Activities, and Customer Service
- Recreation Therapy

Despite three years of significant transitions and disruptions at both Campuses, the AFRH's Resident Surveys showed overwhelming satisfaction. Our ratings shows a positive trend and indicate we are meeting Resident needs despite changes in our population.

In addition to an annual survey, management acquires valuable Resident feedback via focus groups, town halls, the AFRH Resident Advisory Committee (RAC), suggestion boxes, work groups, official surveys, and informal conversations.

Percentage of Resident assessment plans

MET

TARGET: Resident Assessments for 95% of Residents

RESULT: Resident Assessments for 99% of Residents

In FY13, AFRH stressed the need for all Residents to complete a health care assessment upon entry into AFRH, after each hospitalization and at every level of care change. In addition, Residents are offered a health care assessment. Some Residents who are in independent had their assessments completed at other health care facilities where they have a relationship. Providing this flexibility is another example of PCC, meeting the Agency's requirement while providing different options for Residents.

Goal 2: Maintain Exceptional Stewardship: Pursue and implement innovative ways to deflect, reduce, and manage costs by maximizing assets, resources, and programs to fulfill needs and wishes of current / future Residents.

Goal 2 Performance Measures

Trust Fund solvency

MET

TARGET: Even balance of resources versus obligations

RESULT: Trust Fund balances were adequate to cover FY13 obligations

The Trust Fund had resources available to adequately support FY13 Operations & Maintenance and Capital Improvement expenditures. AFRH continues to scrutinizing our spending, seeking new efficiencies and cultivating new income. Our streamlining costs initiatives include altering contracts, resource conservation and added efficiencies.

Accuracy of Financial reporting

MET

TARGET: Clean Audit Opinion

RESULT: FY 13 Clean (Unmodified) Audit Opinion

For FY13, AFRH received its 9th clean (formerly 'unqualified', now referred to as 'unmodified') audit with no Notice of Findings and Results (NFRs) which is a testimony to the emphasis AFRH Management places on financial integrity and the success of our partnership with US Treasury Bureau of Public Debt as our financial, contracting and human resources servicing organization.

Housing for Veterans (Scott Project):

MET

TARGET: Scott Project on budget and within schedule

RESULT: Scott Project opened in February 2013 on schedule and on budget

As part of our strategic vision, we chose our Housing for Veterans Stewardship goal to support the overarching Presidential priority of Housing for Veterans. AFRH’s goal was to not only provide housing for our veterans but also to continue our tradition of providing a premium retirement home.

Starting in 2010, AFRH began a campus improvement initiative referred to as the Scott Project, which marked a pivotal moment in the history of the Home. This initiative resulted in the consolidation of AFRH-W operations in the north end of the 272-acre campus and a comprehensive modernization of facilities and systems. The Scott Project revolved around the replacement of the outdated 1954 Scott Building with a new building that embodies modern philosophies in sustainability and senior care. The “new” Scott requires less maintenance due to its energy efficient structures built to Leadership in Energy and Environmental Design (LEED) standards. The design is compliant with current building codes, ADA requirements and the latest standards and practices in senior care design.

With the completion of the Scott Project AFRH can provide:

- Person-centered Care (our guiding principle) through the small house concept for upper levels of health care;
- Upgraded Person-centered dining for all Residents;
- Buildings and sidewalks handicap accessible and ADA Compliant;
- Centralized setting for all Residents to build community cohesiveness;
- More activities and program areas including a new indoor swimming pool; and,
- A progressive Health and Wellness Center providing for medical, dental and optometry services.

The whole project rooted in our Aging-in-Place philosophy was financed from the AFRH Trust Fund. Now our Washington, DC Facility is on par with the Gulfport community and brings greater health and wellness to Residents. Under the General Services Administration’s (GSA) project management, the Scott Project produced a facility with a similar population to Gulfport.

This measure has been removed for FY 2014.

Trust Fund Growth

NOT MET

TARGET: Positive result of Washington, DC Master Plan

RESULT: No growth has occurred since FY 2010

As predicted, the Trust Fund diminished significantly while supporting the AFRH-W Scott Project and earthquake renovation projects. However, with the unexpected decline in our revenue source (Fines & Forfeitures) the Trust Fund balance is lower than anticipated. No foreseeable immediate Trust Fund Growth is expected. Our focus is to seek new revenue, implement our AFRH-W Master Plan and continue to identify / implement costs containment initiatives.

Cost avoidance

MET

TARGET: 1 cost avoidance project implemented per year

RESULT: 3 projects supported significant cost avoidance

AFRH opened the new Scott Building (a LEED certified building) closed the isolated and remote LaGarde Building, and installed a new heating /cooling system to prepare for the closure of the outdated Heating Plant in FY14. These three projects provided cost savings in FY13, as well as in out years, by reducing costs for:

- Fuel
- Facilities Maintenance
- Transportation of Residents

Goal 3: Promote Staff-Centered Environment: Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.

Goal 3 Performance Measures

Evidence of measurable training goals

MET

TARGET: 80% staff participation in four mandatory training classes

RESULT: 85% staff participation in at least four mandatory training classes

In FY13, AFRH exceeded its goal in the percentage of staff who participated in the mandatory training classes which enhanced their job performance. Required classes included:

- Ethics
- HIPAA
- Safety
- IT Security
- Equal Employment Opportunity Act
- No Fear Act
- Workers' Compensation
- Performance Management/Person-centered Care
- Resident Rights
- Suicide Prevention
- Contract Officer Representative (COR) for staff assigned to COR duties

Other training opportunities offered by AFRH for all staff:

- Business planning
- Supervisory Training,
- Time & Attendance Recordkeeping
- Employee Relations
- Electronic Health Record Systems (EHRS)

Percentage of Employee Climate Survey responses of "Excellent" or "Very Good"

MET

TARGET: 70% Employee Climate Survey responses of "Excellent" or "Very Good"

RESULT: Employee Satisfaction: 83% of personnel surveyed satisfied overall

The Employee Climate Survey is administrated by OPM and sent to all employees. In 2013, 32% of all AFRH employees completed the survey. During FY13 in addition to the OPM Survey, DoD administered an organizational climate survey developed by Defense Equal Opportunity Management Institute (DEOMI).

These surveys provided employees several opportunities to enter personal comments / recommendations, and the employee feedback has helped management pinpoint key issues to address at both campuses as well as for the Corporate Office. FY14 action plans are being developed to implement additional recommendations.

Measurable evidence of growth beyond work activities

MET

TARGET: Seek and implement employee Recommendations

RESULT: Five employee recommendations implemented in FY13

AFRH's overarching philosophy of PCC includes consideration of staff needs as well as Resident needs. The addition of the staff-centered goal in the FY 2011-2015 Strategic Plan required actions plans for this new goal area. In FY13, inter-Campus and Corporate staffs were assigned to teams who discussed topic areas and made recommendations to management on:

- education/training;
- flexible work schedules;
- staff wellness;
- working with contractors;
- employee gatherings and interaction;
- improved communications;
- awards and recognition; and
- staff dining options.

Numerous ideas were brainstormed by the teams for consideration and the teams provided management with their top priorities. Management reviewed team recommendations and implemented five recommendations in FY13. The teams stayed engaged as the recommendations were implemented. Additional employee recommended initiatives are being explored for FY14.

Achievable Person-centered Care

MET

TARGET: Implement Two PCC initiatives per year

RESULT: Two initiatives implemented

AFRH's FY13 major PCC initiatives included dining flexibility and the small house concept.

Dining Flexibility: PCC dining choices are available for all levels of Residents at both Campuses. New menus, individualized Resident meals and flexible meal times were initiated.

Small House Concept: The opening of the new Scott Building allowed AFRH-W to move to a small house concept for Upper Level Care Residents. The small house concept provides a community concept for Upper Level Care Residents to promote social interaction, a common area easily accessible for these Residents and consistent and improved staff interaction with Residents.

Goal 4: Leverage External Stakeholders: Harness, cultivate and focus our external stakeholders to become increasingly active participants who are engaged in AFRH operations in each of the next five years.

Goal 4 Performance Measures

Congressional contacts

MET

TARGET: Quarterly contact

RESULT: Regular contact with Congress as well as DoD

AFRH COO increased Congressional Contracts to regularly report on progress of major earthquake repairs to AFRH Historical Buildings until the construction was completed. Regular contact with DoD meet and exceed this measure.

This measure will be removed in FY 2014.

Annual community events

MET

TARGET: 2 community events per Campus per year

RESULT: 2+ community events held at each Campus

AFRH is open to the surrounding communities for celebrations and events to engender better community involvement and support. Along with life cycle events such as completion of construction projects and memorable dates (Memorial Day, Veterans Day, Pearl Harbor Day, AFRH-W Freedom Day and AFRH-G Volunteer Day), AFRH consistently invited community involvement in multiple events. Since this measure was instituted, the number of community events has far surpassed the minimum and is expected to continue growing through the synergy between community and AFRH.

AFRH CAMPUS LOCATIONS

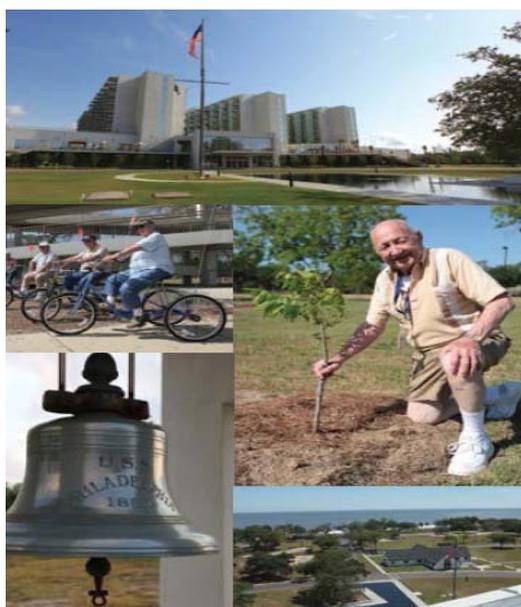
The original notion of an 'asylum' to care for America's former military has evolved over time—the environment and architecture have certainly followed suit. Over the decades, the Home's caretakers have replaced light-duty workshops and working farms with manicured golf courses, swimming pools, community gardens, and scenic walking trails. Large institutions and closed gates were replaced with intimate domiciles and open communities. Our Veterans truly deserve such amenities given their many sacrifices in defending America.

Today, the AFRH is so much more than a shelter—it is a warm, comfortable, and friendly place to call home. There are two modern senior living communities: one in Gulfport, MS, (AFRH-G) and one in Washington, DC (AFRH-W). Both Campuses feature modern designs, comfortable amenities and health care facilities embracing many elements of the small house concept for modern retirement and Resident care.

In 2013 the grand vision to have modern buildings with equal amenities at both locations came to fruition. Both are highly energy efficient and both feature a small house concept in the health care residences, which has empowered the staff to deliver even better Person-centered Care (PCC). Now, the AFRH is no longer a regimented institution—but rather a true military home for our Veterans—comfortable and accessible. The most wonderful part is that many Residents actively contribute to the beautification of the facilities through volunteering and the Resident Advisory Committee (RAC). The AFRH has reached a new standard in senior care.

GULFPORT, MS

In 1834, the first permanent Naval Retirement Home opened Philadelphia, PA, where a legacy was born that still thrives today. In 1976, the Naval Home moved to Gulfport, MS, at its current location. AFRH-G is located on approximately 40 acres off the Gulf Coast in a relaxed southern setting with Sandy beaches, waterfront views, and beautiful sunrises. A charming town surrounds our Gulfport Home with outstanding community support for the Home. In a relaxed southern setting, this Home is situated right on the Mississippi Sound, a dynamic fishing and leisure spot. Residents can drive or take public transport to great restaurants, exciting casinos, friendly neighborhoods, boutique shops, and more. They enjoy surf fishing, great shopping, beach walks, bicycling, a dip in the pool, or relaxing on their private balcony overlooking the Gulf.



The old facility, destroyed by Hurricane Katrina in 2005, was replaced with an energy-efficient facility with modern conveniences. That senior living facility opened in October 2010. The building was designed to withstand Category 5 hurricane force winds, and it was tested in August 2012 during Hurricane Isaac. As expected, damage was very minor with only a few torn outside shades.

Since the Grand Opening, residency has swelled to capacity. Staff numbers have expanded to meet the needs of this growing population. The Residents on the Gulf are lively and energetic, and have put a stamp on their home with new gardens, a greenhouse, a new putting green, trees, flags, and memorabilia.

WASHINGTON, DC

AFRH-W encompasses 272 scenic acres in Northwest Washington, DC. Beautiful trees, majestic views, tranquil wildlife, and historic landmarks surround the AFRH-W Home. It is nestled in the heart of our Nation's Capital, a vibrant metropolis. The Campus is just minutes from the Metro, bus line, White House, monuments, theaters, museums, pro sports teams, and more. Within the gates, Residents enjoy a nine-hole golf course, stocked fishing ponds, community gardens, accessible walking paths, a first class wellness center, and an indoor swimming pool.

The historic AFRH-W Campus (in operation since 1851) has seen a total facelift over the past few years. The Scott Project replaced the outdated and inefficient 1950's dormitory with the modern Scott Building for health care, recreation, and dining. Its modern design is now empowering the staff to meet our vision and mission to deliver Person-centered Care and to perform at the level required to satisfy Resident needs.

After incurring damage from the August 2011 earthquake, the 1850s-era Sherman Building and historic Quarters were renovated during FY 2013. The historic Eagle Gate was redesigned, and the Sheridan residences were renovated to offer Assisted Living. Now this community is welcoming more visitors and volunteers than ever before.



AFRH-W Campus Benefits from its recent facelift include:

- Ease in implementing Person-centered Care concepts in dining, recreation, healthcare due to advanced design for senior living
- Upgraded services in dining, recreation, health care

- State of the art health care facilities
- Upgraded rehabilitation therapy area
- Expanded views of the landscape adjacent to the Home
 - Dining with a 'capitol' view of the Washington, DC monument
 - Library overlooking the golf course and beyond to the DC skyline
 - Meditation areas with an outdoor labyrinth
- Upgraded technology
 - Accessible 24/7 computer room
 - Flat screen public televisions in lounge areas
 - In-house flat-screen announcement boards
- Specialty recreation areas
 - Reading areas, puzzle rooms, lounging spaces
 - Patio gardens
 - Veranda overlooking baseball diamond
 - 24 hour canteen
 - Community center
 - 100 seat theater
 - Indoor swimming pool
 - Upgraded fitness center

During the earthquake repairs, the Corporate staff was temporarily relocated to Resident rooms in the Sheridan dormitory. In January 2013 when the Sheridan Building restoration was complete, the Corporate staff moved back to the Sherman vacating the Sheridan Resident rooms. Due to this temporary relocation of the Corporate staff to Resident rooms, admissions to the Washington, DC facility were restricted. These temporary office spaces have been returned to Resident rooms allowing AFRH-W to begin accepting new Residents which had been suspended since the 2011 earthquake. The AFRH PAO is working on a directed marketing strategy to ensure Veterans are aware of the AFRH, the military's premier retirement community.

STRATEGIC PLANNING

AFRH CAPITAL IMPROVEMENT PLAN

The AFRH developed a Capital Improvement Plan (CIP) to advance our current needs and future goals through capital improvements for both facilities. The CIP outlines improvement and sustainability projects required in out years. Our comprehensive CIP provides projects, timelines, and priorities. The AFRH CIP includes Agency Improvement Plan, individual Campus Plans, Long Range Financial Plan, Landscape Master Plan and Information Technology Strategic Plan (Draft). While both AFRH communities have different capital improvement needs, the individual Plans for both are linked to the Agency's singular Mission, Vision and Guiding Principles. Since the Gulfport campus is relatively new, the vast majority of the projects included in the CIP are for the AFRH-W.

The Plans include capital improvement projects based on the AFRH Strategic Plan with implementation timelines and financial funding requirements. The Plans must account for military monuments and existing / future capital improvement projects and provide a review with recommendations for AFRH energy efficiencies based on Executive Orders 13423 and 13415. Integral to developing the AFRH-W CIP is consultation services on historic preservation planning, local and federal design review, NHPA Section 106 and Section 110 compliance, and Cultural Resources Management are required.

CIP projects in completed in FY13:

WASHINGTON, DC SCOTT PROJECT--"The Scott Project" refers to a group of projects necessary to replace the now demolished 1954 Scott Building with a new modern facility that consolidated Residential and health functions in the north end of the AFRH-W Campus. Planning began in 2008 and actual construction started in 2010. Construction was completed in FY 2013 on schedule and within budget. The "new" Scott requires less maintenance due to its energy efficient structures built to Leadership in Energy and Environmental Design (LEED) standards. The design is compliant with current building codes and health care requirements as well as the latest standards and practices in senior care design.

A key benefit of the completed Scott Project has been to relocate all of AFRH-W Residents to a centralized setting where they are in closer proximity to each other and the dining facility. This option has the advantage of drawing Long-Term Care and Memory Support Residents into the community, instead of keeping them in the remote and isolated LaGarde Building. The "new" Scott also includes a progressive Health and Wellness Center that includes medical, dental and optometry services.

AFRH partnered with General Service Administration (GSA) to manage this large construction project. GSA implemented projects to demolish the old Scott Building, construct the new facility, provide needed infrastructure upgrades, and integrate the new building into the current landscape. These vital projects were completed as part of the Scott Project:

- Scott Building Replacement
- IT Hub Relocation
- New Chiller
- Commons-Sherman Sidewalk Realignment
- New Elevators in Sheridan Building
- Exterior and interior renovations for Assisted Living
- Second Tunnel

With the completion of the Scott Project, AFRH achieved its overarching goal to streamline excessive maintenance costs incurred at AFRH-W Campus. The completion of the Scott Project achieved significant cost savings by:

- Decreasing custodial requirements
- Closing the old dining facility and its operations
- Reducing facility maintenance
- Lowering the utilities cost
- Eliminating on-campus Resident transportation
- Reducing nursing staff by nearly 50%
- Closing the older LaGarde Building



AFRH-W "new" Scott Building—Opened in March 2013

EARTHQUAKE DAMAGE RECOVERY--During the Scott Project, AFRH-W Offices and Resident dining services had been temporarily relocated to the Sherman Building. In August 2011, prior to the completion of the Scott Building, a 5.8 magnitude earthquake struck the DC Metro area. Several AFRH-W historic buildings including the Sherman Building were severely damaged. The extensive damage to the Sherman Building required the building be vacated resulting in offices, dining and other activities being relocated again to the Sheridan Building until the new Scott Building was opened.

Congress and the President provided \$14.6 million to support our efforts to restore our Campus to its previous condition. The Sherman building completed in 1857 sustained the most damage. Since it is a monumental piece of our historic footprint, the AFRH is extremely grateful for funding to restore the Sherman and the other historical buildings damaged by the earthquake. Throughout FY 2013 contractors worked to complete the repairs to the AFRH-W historic buildings damaged by the 2011 earthquake.

In January 2013, the corporate offices were able to reoccupy a part of the Sherman Building. Because the new Scott Building included AFRH-W Campus office space to promote autonomy between Campus and Corporate, the remainder of Sherman and Sherman North were restored later in the year. With AFRH Corporate staff only occupying part the building, AFRH plans to offer the remaining space for lease and is currently in initial discussions with a potential leasee.

With the completion of the Scott Project and Sherman building renovations, AFRH-W Resident rooms temporarily occupied for staff offices could be converted back for Resident occupancy. AFRH now has premier and equal retirement communities at both locations. AFRH's Resident Capacity is:

AFRH Resident Capacity

	Independent Living/Independent Living Plus	Assisted Living	Memory Support	Long-Term Care	Total
Gulfport, MS	536	12	12	24	584
Washington, DC	448	60	24	36	568



May 2013--Renovations underway



October 2013—Restoration Complete

AFRH-W LaGarde Building Closure—With the relocation of the AFRH-W Upper Level Care Residents residing in the isolated and remote LaGarde to the Sheridan and Sherman facilities in FY13, AFRH was able to complete another key cost avoidance step. AFRH mothballed the LaGarde Building using GSA guidelines. This closure accomplished several key AFRH goals including:

- Co-locating all Residents to a central location;
- Significantly reducing our AFRH-W footprint;
- Reducing O&M and Capital Improvements to meet current health codes and ADA regulations; and,
- Paving the way for the closing of the Heating Plant.

AFRH-W Heating Plant Shutdown--Since 1907, the AFRH Heating Plant has supplied heat and electricity to the AFRH. In a bold move to cut energy costs and modernize our infrastructure, the AFRH built a new power generation system and closed this aging relic. It was the last remaining above ground industrial element in the Home's vast physical plant and infrastructure. The plant was isolated from the AFRH-W community and historic landmarks, and it was subjected to additions not in keeping with its historical character. Ultimately, it symbolized an old, outdated mode of energy. The strategy to create a self-contained community within a modern facility called for restructured energy sources.

The old heating system relied on an aging, fragile infrastructure. It was inefficient, resulting in high annual heating costs, and it required extensive and costly maintenance. There was no system redundancy, which constituted a major safety risk for operations. Aging and inconsistent power presents a significant risk to serving elderly or infirm Residents, where reliable power is essential. Further, AFRH cost drivers include certain assessments, taxes, and fees specifically required to be paid for environmental safety and regulatory levies on properties and operations. Today, maintaining proper environmental conditions for seniors is critical for earning the CARF accreditation.

Installing a distributed boiler system improved fuel combustion efficiency, reduced system failure, lowered overall natural gas consumption, and provided redundancy. AFRH's new boiler system also reduces energy consumption and greenhouse gas emissions while meeting new targets under Executive Orders 13423 and 13514.

In November 2013, the AFRH Power Plan was closed marking the end of an era but also serving as a tribute to the success of our revitalization and modernization efforts at the AFRH-W facility. In January 2014, AFRH marked this historical event with a celebration to recognize this milestone and honor our Heating Plant employees who diligently served our Residents. Current, past and retired Heating Plant employees participated in the event.



AFRH-Washington, DC Heating Plant 2013

Long Range Financial Plan (LRFP)

The AFRH LRFP tracks changing economic forecasts to ensure Trust Fund solvency. The multiyear fiscal improvement plan outlines the long-range strategy for the future use of AFRH facilities and cost reducing initiatives. The strategy enables the AFRH to establish and maintain a concerted and directed development and improvement effort. Updates are completed annually to reflect changing priorities, make adjustments as new initiatives are identified and to use better forecasting data.

The FY14 LRFP update will focus on Trust Fund Solvency considering our unanticipated drop in our largest revenue source, Fines and Forfeitures; inclusion of revenue from the lease of underutilized building revenue and revision of projected revenue and timeframe for the lease / sale of AFRH's 77 acres.

AFRH-W Master Landscape Plan (MLP)

The AFRH-W MLP provides a comprehensive landscape program for the reduced AFRH-W Campus which will continue to be used for agency purposes. The MLP includes specific projects and guidelines to beautify the AFRH-W Campus, encourage activity through the grounds and create a welcoming and safe environment while celebrating the Campus' history and military heritage. Another key MLP component is the involvement of the surrounding community. The MLP identifies nine (9) Project Units:

- Campus Core;
- Sheridan;
- the Meadow;
- Chapel Woods
- Golf Course;
- Campus Perimeter;
- Community Access;
- Campus Circulation; and,
- Education and Orientation.

At the heart of this vision is the philosophy that a therapeutic landscape can be a powerful component of the Aging in Place concept and to ensure Residents can utilize one of our most valuable resources—our open Campus.

Information Technology (IT) Strategic Plan (Draft)

In FY 2013, the AFRH prepared its initial draft Information Technology (IT) Strategic Plan to be included in the CIP. Through the addition of AFRH's IT Strategic plan, AFRH identified future IT improvements and potential areas for cost avoidance while enhancing current operations. Major IT Initiatives completed in FY13:

Cloud Computing Solution--To reduce IT costs in FY13 AFRH moved various software applications from its current host network environment with the Interior Business Center to a shared Cloud Computing environment, which included using a separate e-mail vendor to support an email/file storage Cloud Computing solution.

Electronic Health Record System (EHRS)—In FY13, AFRH moved from a paper-based Resident health care record to an EHRS to ensure up-to-date health care information is available. In FY14, AFRH will enhance the system to include Resident financial data to improve our Resident billing process, provide one AFRH Resident record and consolidate to a standardized paperless electronic system.

Senior TV—In FY13, AFRH began offering Residents at both Campuses the option to purchase their internet and cable services through AFRH. This service has been provided to hundreds of Residents while retaining the Residents' ability to individually purchase internet and cable TV privately. By leveraging the buying power of a large number of subscribers, AFRH contracted with the provider saving Residents money as well as eliminating long-term commitment/contract for services. AFRH expects this program to continue growing as Residents with individual contracts are able to change their service to Senior TV.

HSPD (Homeland Security Directive)-12 Compliance--During FY14 IT will ensure that all AFRH staff and contractors have been issued a uniformed access card. The uniform access card or Personal Identification Verification (PIV) card as used by the AFRH, will be the principal card used to enable physical access to buildings, controlled spaces, and computer networks and systems.

In FY14 & FY15, the AFRH will embark upon deploying video conferencing technology at both Campuses. This initiative will include the deployment of stationary and mobile solutions. Stationary solutions will encompass the deployment of video equipment and software into conference and community rooms, and desktop computers. Mobile solutions will include Computer on Wheels (COWs) and laptop computers. As another potential cost saving initiative, the AFRH will begin a review of its current cell phone and Blackberry devices to determine the most efficient, reliable, secure and cost effective replacements. This effort will involve an evaluation of the current market technology and its adaptability to the changing Federal information security requirements for securing data and information.

AFRH-W MASTER PLAN

The National Defense Authorization Act of FY2002 (as modified in Public Law 111-084) authorized AFRH through DoD to lease / sale underutilized buildings and property.

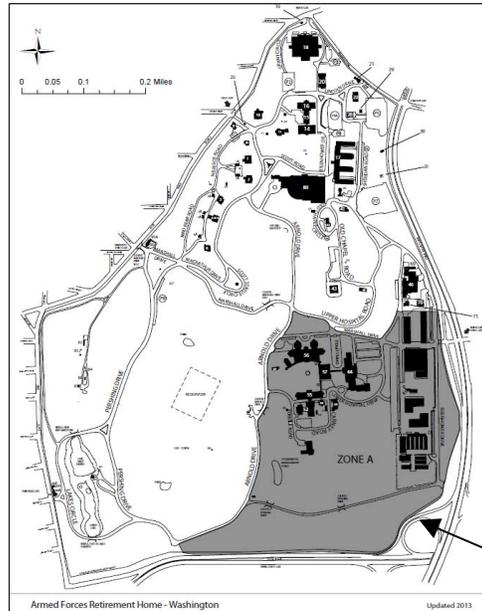
AFRH identified 77 acres in "Zone A" which were underutilized and could potentially be leased / sold to produce additional revenue for the Trust Fund. AFRH launched its real estate development plan and developed the AFRH-W master plan which outlined possible development opportunities for the land. The Master Plan was approved by the National Capital Planning Commission in 2008 clearing the way for AFRH to solicit proposals.

In 2008, AFRH focused on infrastructure improvements, mothballed facilities within the 77-acre development zone and closed buildings that no longer served Resident needs. Due to a momentous slump in the local real estate market and financial difficulties with the original contractor, the lease / sale of Zone A was placed on hold.

AFRH is currently in the process of cultivating relationships with federal entities to study the

lease / sale of the above referenced 77 acres. A federal affiliation would be beneficial for all federal parties serving as an additional revenue source for the AFRH Trust fund while allowing other Federal agencies to utilize our underutilized property.

Management is prudently moving forward with the lease of underutilized buildings and sale / lease of underutilized 77 acres on the southeast end of our AFRH-W Campus. AFRH will utilize the original Master Plan which was previously approved by the National Capital Planning Commission but will need to update our NEPA documentation to comply with changes in the regulations which have occurred since our original NEPA study. AFRH is working with GSA to release a solicitation for development bids in Summer FY2014. AFRH will only move forward with lease / sale if we can secure a fair market price. The target date for completing the lease / sale is the end of FY 2017.



AFRH-W Zone A—77 acres

Zone A-77 acres

STRATEGIC HUMAN CAPITAL PLAN

The AFRH Strategic Human Capital Plan (SHCP) was finalized in FY 2010 to address key performance work force challenges. The SHCP strategies link Goals which are vital in achieving our mission. Since the vast majority of our care services, our recent change to Person-centered Care was a tremendous challenge to our staff. Their dedication and flexibility. The SHCP has five goals:

- Foster mission-focused human capital planning;
- Cultivate a leadership culture that fosters excellence and mission accomplishment;
- Ensure a culture of Person-centered Care excellence;
- Recruit, develop and retain a capable workforce committed to caring for Residents; and,
- Promote Human Capital Accountability.

In FY13, AFRH made significant progress in achieving these goals including recruiting / hiring key management positions, revising our Personnel Management Plan, strengthening our staff communication vehicles and reviewing and updating job descriptions.

In FY14, AFRH will revise employee performance evaluations to make several key improvements by adjusting the rating cycle, establishing a more manageable number of critical elements, improving evaluations / counseling and tying individual employee critical elements to the AFRH Mission / Strategic Goals. By linking employee performance to the AFRH mission, we are reemphasizing the pivotal role of our employees.



ACCREDITATION AND OVERSIGHT

The AFRH was required to secure and maintain accreditation by a nationally recognized civilian entity for each aspect of the Home (including medical and dental care, pharmacy, Independent Living, Assisted Living, and nursing care). The AFRH currently maintains a CARF accreditation as well as other reviews/audits.

CARF Accreditation: Valid through 2016--CARF is one of the national accrediting bodies for Continuing Care Retirement Communities (CCRC). CARF helps ensure that retirement homes fulfill their promise of quality, Residential care to seniors. The AFRH initially achieved this accreditation in September 2008 for a five-year period ending in 2013. CARF performed inspections 2011 for both Campuses. Although there were no findings, written recommendations emphasized Person-centered Care (PCC), safety, breaking down silos, and more definitive guidelines for Resident transitions. CARF recommendations are reviewed and implementation / Quality Improvement Plans (QIP) developed.

The Joint Commission (TJC) Accreditation; scheduled for FY 2014-- Legislation requires the AFRH to be accredited in all levels of care including ambulatory services. In FY14 both Campuses will undergo a TJC accreditation surveys to assess our ambulatory and nursing care. In preparation for this review, AFRH contracted with Joint Commission Resources, Inc. (JCRINC) to complete an initial health care assessment. AFRH-W JCRINC assessment was performed in FY13, 4th quarter; and AFRH-G JCRINC assessment was completed in 1st quarter FY14. Adding the TJC accreditation to supplement our current CARF accreditation provides added assurance of Residents' health care.

DOD IG Inspection--The IG inspection team reviewed corporate and both campuses in August and September 2012. Results were made available to AFRH in December 2013 and observations and recommendations are being reviewed. Once AFRH completes its review, implementation plans will be developed where needed.

Annual Financial Audit--For FY13, AFRH received its 9th consecutive Unmodified (previously referred to as Unqualified) opinion by an independent audit per Generally Accepted Accounting Practices (GAAP). To support our audit, AFRH relies on information received from the U.S. Treasury Bureau of Public Debt (BPD) and Department of Agriculture National Finance Center (NFC) public-to-public shared service partnerships, BPD provides AFRH financial management activities and NFC provides payroll services which interface with our Oracle financial system.

Additional Oversight:

DOD: In FY 2013, DoD P&R conducted oversight activities of AFRH operations to supplement the nationally accredited retirement living inspections. Their recommendations were reviewed, and action plans created and implemented in FY 2013 Q3 and Q4. P&R is monitoring the progress of these improvements as they are made.

OPM: The AFRH is under an OPM inspection schedule for its Human Capital Goals and progress.

AFRH Advisory Council: The AFRH Advisory Council, with outside experts from the active / retired military community, other Federal Agencies, and Resident representatives from both Campus, works collaboratively with DoD P&R, AFRH management, and the Defense Health Agency to provide guidance, make recommendations and assess various areas. These outside experts are selected for their expertise in military life, veterans affairs, and health care.

The Advisory Council meets twice a year where AFRH Management and Council Members share knowledge about goals / objectives achieved, results of accreditations / reviews and Agency challenges. The Advisory Council publishes an annual assessment with observations and recommendations. In FY 2013, the Advisory Council provided positive comments and recommendations in its FY 2012 Annual Report.



CURRENT CHALLENGES

In FY15, AFRH will face several challenges as we uphold the promise made two centuries ago to provide care for our aging and infirm retired military personnel. The care we provide today demonstrates to today’s soldiers—and tomorrow’s veterans—that their service and sacrifices won’t be forgotten. AFRH COO and managers have identified the following FY15 Challenges:

- Maintaining our current and new accreditations
- Recruiting and retaining health care professionals to serve our Residents
- Trust Fund Solvency and identifying new revenue sources
- Maintaining our aging AFRH-W infrastructure
- Advancing our Person-centered Care initiatives

In addition to AFRH Managers working with our DoD Partners and Advisory Committee to identify challenges, the AFRH Inspector General (IG) annually identifies and presents to the COO a list of challenges. The AFRH IG identified our greatest challenges lie in managing the new facilities and remaining person-centered.

In FY 2013, The AFRH IG conducted several initial accountability audits at both AFRH communities, held one-on-one meetings with Residents and staff and completed active walkthroughs at both Homes to get a birds-eye view with to manage / investigate concerns or perception of fraud, waste, abuse or mismanagement.

AFRH IG challenges and recommendations by key areas for FY14:

MANAGEMENT CHALLENGES	RECOMMENDED ACTIONS
FINANCIAL Ensure Trust Fund solvency and work within mandated budget reductions	– Maintain oversight of budget development and execution to contain costs as planned – Place added emphasis on Internal Controls – Monitor revenue streams and develop alternative strategies as issues arise – Increase voluntary contributions to the Agency – Implement the Washington, DC Master Plan
INFORMATION TECHNOLOGY Establish and maintain an optimal technology operating environment	– Implement widespread usage of the Electronic Health Record System (EHRS), improve electronic forms, and provide staff training – Upgrade employee tools to be more high-tech – Deploy knowledge management through SharePoint and provide staff training – Overcome time stoppages in using new IT / old equipment and processes – Show results of IT strategic objectives
ACCREDITATION Maintain CARF and The Joint Commission accreditation	– Establish milestones to be prepared in accordance with accreditation timelines – Implement and maintain recommendations from CARF Quality Improvement Plans – Implement recommendations from consultants in preparation for The Joint Commission accreditation

PERFORMANCE CHALLENGES	RECOMMENDED ACTIONS
PERSON-CENTERED CARE (PCC) Continue progress in PCC operations to enhance service delivery	<ul style="list-style-type: none"> – Define measurements for better results in PCC – Empower staff by expanding PCC knowledge and skills – Achieve acceptable performance and alter services as needed
STAFF-CENTERED ENVIRONMENT Address staff issues and concerns to improve working environment	<ul style="list-style-type: none"> – Fill key AFRH positions – Train staff on processes and Strategic Goals / Objectives – Maintain leadership by reducing turnover in key positions – Ensure continuity of effort (overcome problems encountered in Oct. 2013 furlough)
AGING IN PLACE Continue expansion and improvement of Aging in Place initiative	<ul style="list-style-type: none"> – Ensure more accountability between the transitions from one care level to another – Track costs by level of care and determine staff time usage in all levels

BUDGET HIGHLIGHTS

BUDGET IMPLICATIONS

The 1991 Defense Authorization Act, Public Law 101-510, created an Armed Forces Retirement Home (AFRH) Trust Fund to finance the AFRH-Gulfport and the AFRH-Washington, DC Homes. The Homes are funded by appropriations drawn from the Trust Fund.

The AFRH Trust Fund has a variety of revenue sources:

- Withheld Funds from active duty military personnel, each Warrant Officer and Enlisted person contributes a fee of fifty cents per month (six dollars per year) of the authorized \$1 per month to the AFRH Trust Fund;
- Fines and forfeitures charged to military personnel for misconduct in service, this revenue source typically provides more than half of the total revenue for the Trust Fund;
- Resident fees;
- Interest on the AFRH Trust Fund;
- Estates and gifts; and,
- Sale or Lease of property and other miscellaneous revenue.

The AFRH's operations budget and capital improvements use funds withdrawn from the AFRH Trust Fund and appropriated by Congress. For almost a decade, AFRH management has worked to strengthen the Trust Fund through cost reduction efforts. Our duty is to preserve the assets in the Trust Fund while taking withdrawals with great prudence. AFRH management has focused on wisely making investments and harnessing our operating expenses. We have a clear plan to ensure that both Homes will have resources to continue great service for many years—as it has done for two centuries.

FY 2015 BUDGET REQUEST

The AFRH provides, through our two Campuses, residences and related services for certain retired and former enlisted and Warrant Officers of the Armed Forces. The AFRH FY 2015 Budget Request of \$63.4M covers Operations & Maintenance and Capital Improvements for both Campuses. The AFRH FY2015 Budget Request is adequate to support our Residents while absorbing a key cost driver—increasing our health care staff.

The Department of Health & Human Services increased recommended staffing hour ratio for Upper-Level Care Residents from the 3.5 to 4.1 which was approved in our FY 14 Congressional Budget Justification. AFRH follows, where applicable, the Centers for Medicare and Medicaid Services (CMS) standards. The CMS recommended increased staffing levels to support up to 4.1 hours per day for each Upper-Level Care Resident. As stated in the FY 14 Budget Request, this increase in health care staff to meet the CMS recommended healthcare staffing levels provides better service to and a safer environment for our Residents requiring nursing assistance.

One way AFRH is containing our health care costs is by helping our Residents remain in Independent Living longer. Our highly successfully pilot program, began in FY10, entitled Independent Living Plus (ILP) enables our Residents to age gracefully without disrupting their lifestyle for as long as possible. This program provides minimum Activities of Daily Living (ADL) assistance to allow Residents to remain in Independent Living where they can stay active and among their friends. ILP Residents are provided ADL assistance with medications, personal grooming, and light household duties. This program delays Resident moves to upper levels of care where more nursing assistance is required and costs are higher for both AFRH and the Resident. At the end of FY 2013, 98 Residents were enrolled in the program receiving ADL assistance vice moving to Assisted Living.

The FY15 Budget Request includes \$1 million for capital improvements for both campuses. Capital improvements projects include design to replace AFRH-W 70-90 year old water infrastructure, AFRH-W road and sidewalk replacement / repairs and AFRH-G Nursing Call System. Since the entire AFRH-G facility was constructed and opened in 2010, the majority of planned capital improvements are for AFRH-W.

BUDGETARY CONCERNS

The solvency of the AFRH Trust Fund is our most crucial challenge. The AFRH Trust Fund is the self-funded investment that pays for the AFRH operations and capital improvements. In recent years, AFRH management has substantially reduced operating costs and undertaken several major construction projects to further reduce O&M costs.

The 2012 Trust Fund Solvency analysis concluded that the AFRH Trust Fund was solvent long term with the key assumption revenue remained significantly within historical variation. However, in 2013, our largest revenue source, Fines and Forfeitures, fell substantially more than would be expected from normal variations or historical trends. In FY13 Fines were only \$30 million which is \$6 million (17%) below FY12 and \$7 million (19%) below FY11. AFRH is seeking new revenue sources, proceeding with the lease / sale of underutilized property, and continuing to reduce operating costs.

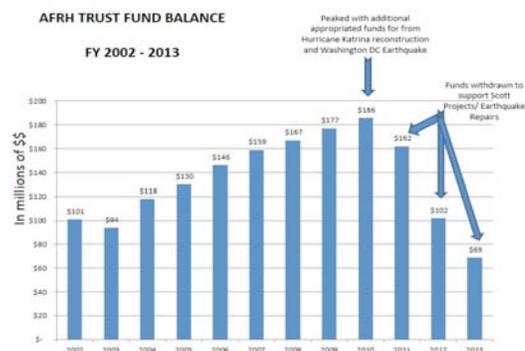
Our options for maintaining the Trust Fund at acceptable levels are containing costs; completing our Washington, DC Master Plan; and increasing contributions.

Master Plan. We are aggressively pursuing the lease / sale of the excess 77 acres at our Washington, DC Campus. The culmination of this effort should take place by the end of FY 2017. In 2008 a contract was awarded for private development but with the economic collapse the developer could not meet his obligations. With the real estate market rebounding, AFRH is working with our partners to solicit proposals from both the public and private sectors. A current appraisal is being completed to determine the current value. We do not recommend moving forward unless the market dictates.

Contributions. Another focus we have is to increase contributions to the AFRH from families, former Veterans, and other interested stakeholders and organizations. We have received a letter from the Internal Revenue Service (IRS) establishing that contributions to the AFRH are tax deductible.

Cost Containment. We have seen improved cost containment with the right-sizing at AFRH-W and opening of energy efficient facility at both locations. The closure of the AFRH-W Heating Plant in October 2013 will also reduce utility, infrastructure and staffing costs.

In summary, we believe that FY 2015 will see benefits from our reduced footprint and energy efficiencies yet we will still be seeking cost containment and ways to generate additional revenue. As we closed FY 2013 on a positive note, we are continuing our focus on a vibrant and economical operation for the heroes we serve.

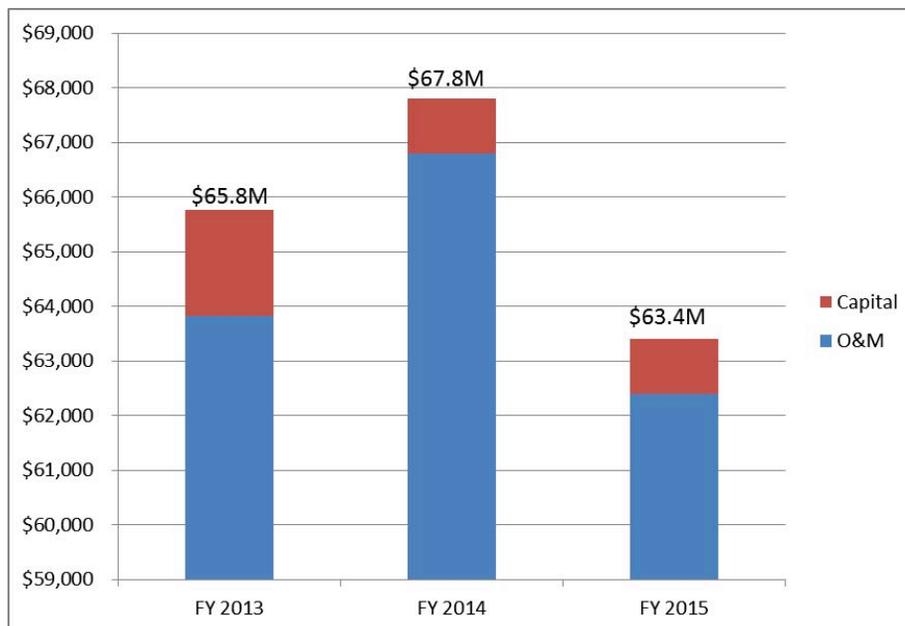


JUSTIFICATION HIGHLIGHTS

Appendix 1—Budget Authority

**ARMED FORCES RETIREMENT HOME
BUDGET AUTHORITY and OBLIGATIONS BY ACTIVITY**
(\$ in Thousands)

	FY 13 Actual	FY 14 Enacted	FY 15 Estimate	FY15-FY14 Increase or Decrease
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
TOTAL OBLIGATIONS				
O & M BUDGET AUTHORITY	\$ 63,814	\$ 66,800	\$62,400	(\$4,400)
CAPITAL AUTHORITY: TRUST FUND	\$1,946	\$ 1,000	\$ 1,000	- -
TOTAL BUDGET AUTHORITY TRUST FUND	\$ 65,760	\$ 67,800	\$63,400	(\$4,400) (\$4,400)
TOTAL FULL-TIME EQUIVALENTS	278	336	336	-



Appendix 2—Capital Appropriation

**ARMED FORCES RETIREMENT HOME
CAPITAL APPROPRIATION**
(\$ in Thousands)

FY15 CAPITAL APPROPRIATION

Infrastructure	\$ 900	
Master Plan	\$ 100	
TOTAL	\$ 1,000	\$ 1,000

FY14 CAPITAL APPROPRIATION

Infrastructure	\$ 675	
Master Plan	\$ 325	
TOTAL	\$ 1,000	\$ 1,000

FY13 CAPITAL APPROPRIATION

A/E Design Fee	\$ 200	
Master Plan	\$ 200	
Sheridan Building	\$ 550	
Sherman Building	\$ 510	
Other Repairs	\$ 486	
TOTAL	\$ 1,946	\$ 1,946

ARMED FORCES RETIREMENT HOME
O&M Summary of Changes
(\$ in Thousands)

FY15 O&M Request	\$62,400
FY14 O&M Enacted	<u>\$66,800</u>
Net Change	(\$4,400)

Changes		FY2014		FY2015	
		Base		Change from Base	
A.	Built-In:	Workyears (FTE)	Budget Authority	Workyears (FTE)	Budget Authority
1	Base payroll Costs	336	\$ 28,949	---	\$ 434
2	Non-Salary Costs				
	Travel/Leases		240		(8)
	Transportation		0		0
	Communications/Utilities		4,440		(330)
	Printing & Reproduction		10		0
	Other Services (Contracts)		27,910		(3,670)
	Supplies & Materials		5,221		(820)
	Equipment		30		(6)
	Total Non-Salary Costs		\$ 37,851		(\$ 4,834)
Total		336	\$ 66,800	--	(\$ 4,400)
NET INCREASE/(DECREASE)				--	(\$ 4,400)

ARMED FORCES RETIREMENT HOME
TOTAL OBLIGATIONS (O&M & Capital) BY OBJECT CLASS
(\$ in Thousands)

		FY13 Actual	FY14 Estimate	FY15 Estimate	FY15-FY14 Increase (Decrease)
11	Personnel Compensation *	19,346	20,742	20,991	249
12	Personnel Benefits	6,952	7,421	7,591	170
13	Benefits, Former Personnel	--	786	801	15
21	Travel/Leasing	242	240	232	(8)
22	Transportation of Things	70	0	0	(0)
23	Communications & Utilities	5,151	4,440	4,110	(330)
24	Printing & Reproduction	120	10	10	0
25	Other Services	26,929	27,910	24,240	(3,670)
26	Supplies & Materials	4,876	5,221	4,401	(820)
31	Equipment	128	30	24	(6)
32	Land & Structures (Capital Outlays)	1,946	1,000	1,000	0
TOTAL OBLIGATIONS		\$ 65,760	\$ 67,800	\$ 63,400	\$ (4,400)
TOTAL FULL-TIME EQUIVALENTS		278	336	336	0

*Annual Physicians' Comparability included

**ARMED FORCES RETIREMENT HOME
APPROPRIATIONS HISTORY FY 2002-2014
(\$ in Thousands)**

FISCAL YEAR	DESCRIPTION	CONGRESSIONAL BUDGET		APPROPRIATION		FINAL APPROPRIATION
		JUSTIFICATION	AUTHORIZED	HOUSE ALLOWANCE	SENATE ALLOWANCE	
2002	O&M	61,628	61,628	61,628	61,628	61,628
	CO	<u>9,812</u>	<u>9,812</u>	<u>9,812</u>	<u>9,812</u>	<u>9,812</u>
	Total	71,440	71,440	71,440	71,440	71,440
2003	O&M	61,628	61,839	61,839	61,839	61,839
	CO	<u>5,712</u>	<u>5,769</u>	<u>5,769</u>	<u>5,769</u>	<u>5,769</u>
	Total	67,340	67,608	67,608	67,608	67,608
2004	O&M	63,926	63,296	63,296	63,296	63,296
	CO	<u>1,983</u>	<u>1,983</u>	<u>1,983</u>	<u>1,983</u>	<u>1,983</u>
	Total	65,909	65,279	65,279	65,279	65,279
2005	O&M	57,195	57,163	57,163	57,163	57,163
	CO	4,000	3,968	3,968	3,968	3,968
	PUBLIC LAW 109-62*	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
	Total	67,195	67,131	67,131	67,131	67,131
2006	O&M	57,033	57,033	57,033	57,033	56,463
	CO	1,248	1,248	1,248	1,248	1,236
	PUBLIC LAW 109-148**	0	65,800	65,800	65,800	65,800
	PUBLIC LAW 109-234**	<u>0</u>	<u>176,000</u>	<u>176,000</u>	<u>176,000</u>	<u>176,000</u>
	Total	58,281	300,081	300,081	300,081	299,499
2007	O&M	54,846	54,846	54,846	54,846	54,846
	CO	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Total	54,846	54,846	54,846	54,846	54,846
2008	O&M	55,724	56,524	56,524	56,524	55,724
	CO	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Total	55,724	56,524	56,524	56,524	55,724
2009	O&M	54,985	54,985	54,985	54,985	54,985
	CO	<u>8,025</u>	<u>8,025</u>	<u>8,025</u>	<u>8,025</u>	<u>8,025</u>
	Total	63,010	63,010	63,010	63,010	63,010
2010	O&M	62,000	62,000	62,000	62,000	62,000
	CO	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>
	Total	134,000	134,000	134,000	134,000	134,000

Appropriations History (Appendix 5 Continued)

FISCAL YEAR	DESCRIPTION	CONGRESSIONAL BUDGET		APPROPRIATION		ENACTED APPROPRIATION
		JUSTIFICATION	AUTHORIZED	HOUSE ALLOWANCE	SENATE ALLOWANCE	
2011	O&M	69,200	69,061	69,061	69,061	69,061
	CO	<u>2,000</u>	<u>1,996</u>	<u>1,996</u>	<u>1,996</u>	<u>1,996</u>
	Total	71,200	71,057	71,057	71,057	71,057
2012	O&M	65,700	65,700	65,700	65,700	65,700
	CO***	<u>2,000</u>	<u>2,000</u>	<u>16,630</u>	<u>16,630</u>	<u>16,630</u>
	Total	67,700	67,700	82,330	82,330	82,330
2013	O&M	63,814	65,590	63,814	63,814	63,814
	CO	<u>1,946</u>	<u>2,000</u>	<u>1,946</u>	<u>1,946</u>	<u>1,946</u>
	Total	65,760	67,590	65,760	65,760	65,760
2014	O&M	66,800	66,800	65,800	66,800	66,800
	CO	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	Total	67,800	67,800	66,800	67,800	67,800
2015	O&M	62,400				
	CO	<u>1,000</u>				
	Total	63,400				

[NOTE:(*) Supplemental funding from the General Fund as a result of Hurricane Katrina for the movement and stabilization of displaced Residents from Gulfport in Fiscal Year 2005.

(**) Majority of Supplemental funding from the General Fund as a result of Hurricane Katrina for the stand up of the Gulfport Campus.

(***) Funding includes \$14.6M from the General Fund to repair the structural damage incurred due to the August, 2011 earthquake that occurred in Washington, DC.

**ARMED FORCES RETIREMENT HOME
STAFFING HISTORY
(\$ in Thousands)**

<u>FISCAL YEAR</u>	<u>SALARIES and BENEFITS</u>	<u>FTE's</u>
1995	39,312	989
1996	37,655	903
1997	37,671	865
1998	37,605	841
1999	37,419	799
2000	38,612	753
2001	38,292	734
2002	41,936	736
2003	40,495	683
2004	35,870	548
2005	30,684	446
2006*	25,754	299
2007	22,460	288
2008	24,043	283
2009	21,120	268
2010	21,589	252
2011**	25,019	280
2012	23,876	278
2013	26,298	278
2014***	28,951	336
2015	29,530	336

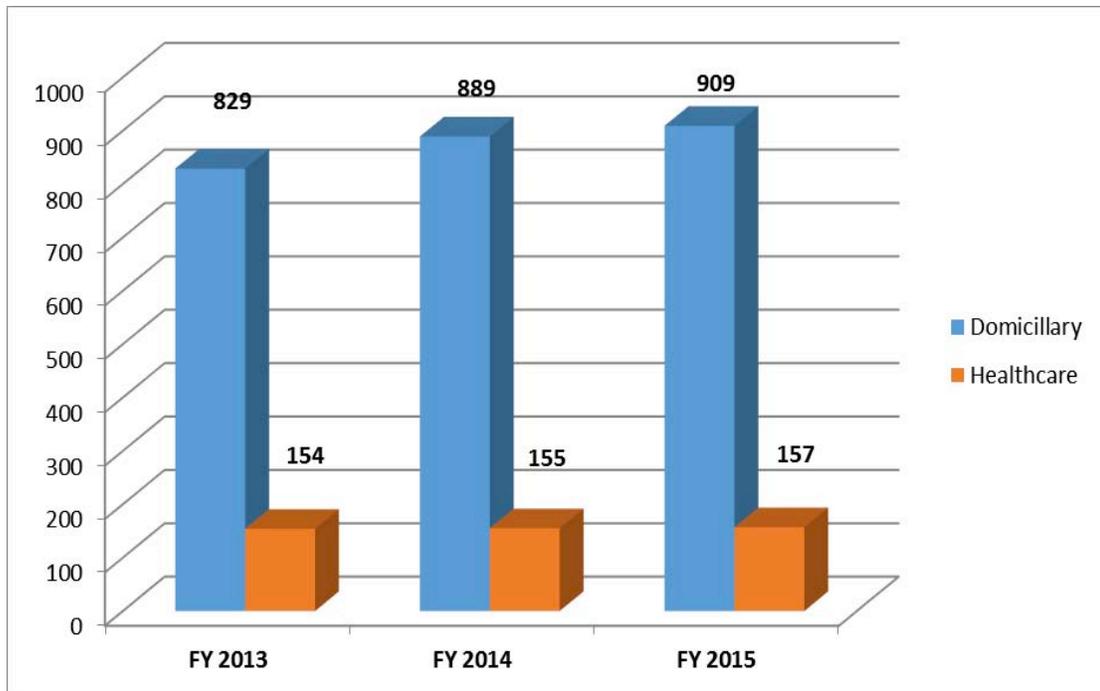
[NOTE: (*) The significant reduction in FTE in 2006 was a result of Hurricane Katrina and the closure of the Gulfport Facility.

(**) The FTE growth from FY 2011 is the result of re-opening Gulfport facility and reshaping DC workforce.

(***) The FTE growth in FY 2014 is the result of increasing health care staff to meet the HHS recommended 4.1 hrs/day for upper-level care residents and moving permanent health care positions from contractor to Federal employees.

Appendix 7—Current/Projected Residents

ARMED FORCES RETIREMENT HOME CURRENT/PROJECTED RESIDENTS			
	ACTUAL FY13	APPROPRIATED FY14	ESTIMATE FY15
Domiciliary Care	829	889	909
Health Care	154	155	157
Total Residents	983	1,044	1,066
Operating Budget	\$ 63,814,000	\$ 66,800,000	\$ 62,400,000
Capital Outlay	\$1,946,000	\$ 1,000,000	\$ 1,000,000
Total Budget	\$ 65,760,000	\$ 67,800,000	\$ 63,400,000
Operating Budget Per Resident	\$66,897	\$64,943	\$59,475



Physicians’ Comparability Allowance (PCA) Worksheet*

Department: Armed Forces Retirement Home

Table 1

		PY 2013 (Actual)	CY 2014 (Estimates)	BY 2015* (Estimates)
1) Number of Physicians Receiving PCAs		2	2	2
2) Number of Physicians with One-Year PCA Agreements		0	0	0
3) Number of Physicians with Multi-Year PCA Agreements		2	2	2
4) Average Annual PCA Physician Pay (without PCA payment)		151,885	153,404	153,404
5) Average Annual PCA Payment		22,500	22,500	22,500
6) Number of Physicians Receiving PCAs by Category (non-add)	Category I Clinical Position	1	1	1
	Category II Research Position			
	Category III Occupational Health			
	Category IV-A Disability Evaluation			
	Category IV-B Health and Medical Admin.	1	1	1

*FY 2014 data will be approved during the FY 2015 Budget cycle.

7) If applicable, list and explain the necessity of any additional physician categories designated by your agency (for categories other than I through IV-B). Provide the number of PCA agreements per additional category for the PY, CY and BY.

N/A

8) Provide the maximum annual PCA amount paid to each category of physician in your agency and explain the reasoning for these amounts by category.

Category I \$15,000
Category IV-B \$30,000

9) Explain the recruitment and retention problem(s) for each category of physician in your agency (this should demonstrate that a current need continues to persist).

AFRH has been unsuccessful in filling current physician vacancies without PCA despite making offers to qualified candidates.

10) Explain the degree to which recruitment and retention problems were alleviated in your agency through the use of PCAs in the prior fiscal year.

The use of PCA at AFRH is very limited. AFRH is currently evaluating the use of Title 38 to fill physician positions that were unsuccessfully recruited using PCA.

11) Provide any additional information that may be useful in planning PCA staffing levels and amounts in your agency.

N/A

[NOTE: (*) The PCA is captured in the Personnel Compensation portion of AFRH's budget authority.]