

**ARMED FORCES RETIREMENT HOME
CONGRESSIONAL BUDGET JUSTIFICATION
FISCAL YEAR 2016**



TIME TO THRIVE



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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, \$64,300,000, [\$63,400,000] of which \$1,000,000 [\$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)

INTRODUCTION

The Armed Forces Retirement Home (AFRH) is proud to present the Congressional Budget Justification for Fiscal Year (FY) 2016.

In 2016, AFRH will continue to focus on providing exceptional retirement services for the nation's veterans and improving health care through broadening our partnerships, identifying additional Person-centered Care (PCC) opportunities and strengthening AFRH's workforce through employee initiatives. AFRH has been steadily working towards a Person-centered Care environment to improve services for our Residents—PCC is the ability to meet individual Resident needs, within budget constraints, in a home-like environment. AFRH embarked on the PCC approach to senior living in 2010 with the opening of our modern Gulfport facility and took another major step forward in 2013 when the new Washington, DC Scott Building opened. Both of these facilities are energy efficient, ADA compliant, and handicap accessible as well as provide upgraded amenities, state-of-the-art Wellness Clinics and small house concepts for our healthcare Residents.

AFRH has achieved our vision of modern, energy efficient, enhanced facilities at both locations to meet the needs of current and future generations of veterans. With our major construction projects behind us, our focus turned to enhancing our operations including: The Joint Commission (TJC) and Commission on Accreditation of Rehabilitation Facilities (CARF) accreditations, leasing of underutilized buildings and land, our internal / external partnerships and further energy saving opportunities.

KEY 2014 ACCOMPLISHMENTS

The Joint Commission Accreditation: In 2014, AFRH pursued TJC accreditation for the first time to supplement our current accreditation from the Commission on Accreditation of Rehabilitation Facilities (CARF). TJC accreditation surveys for ambulatory care and nursing care were completed in September 2014 with accreditation awarded for both Campuses in early FY 2015. This accomplishment was achieved because our dedicated staff ensures our Residents receive the highest level of care. In FY 2015, we will prepare for the TJC Home Healthcare accreditation when our Independent Living Plus Pilot program becomes a permanent level of care. This final accreditation survey scheduled for FY 2016 will be the final step in securing accreditation for all five levels of care (Independent Living, Independent Living Plus, Assisted Living, Memory Support and Long Term Care).

Maintaining High Resident Satisfaction: The 2014 Resident satisfaction survey shows overwhelmingly our Residents are satisfied living at AFRH and consistently rate our services and programs as exceeding their expectations. AFRH staff is committed to enhancing Residents' quality of life and gathering Resident input through Town Hall meetings, Focus Groups, Q&A Sessions and Resident Advisory Committee feedback.

Major Cost Savings: After years of planning and preparation, AFRH closed the AFRH-W Power Plant in FY 2014. Constructed in 1906, this handsome brick structure served as the main utility building for more than a century providing heat and hot water to the AFRH-W Campus. Modern advancements in energy systems, as well as the Home's ongoing efforts to reduce the AFRH-W

operational footprint, eliminated the need for a central plant of its size. The functions of the Power Plant have been replaced by a new, more efficient system resulting in significant cost savings.

AFRH is working with the Department of Energy Federal Energy Savings Performance Contract (ESPC) program and has selected an ESPC contractor to assess areas for further energy initiatives in response to the President's Performance Contracting Challenge. AFRH, working with the ESPC contractor, has identified several areas for potential energy saving opportunities. These ESPC projects will assist AFRH in further reducing our utility costs particularly in our AFRH-W Sheridan Building.

Operations Streamlined: Having shaped our two Campuses into similar configurations for maximum efficiency and Resident populations, we are continuing to improve our processes and reduce costs. With a continued focus on financial streamlining and watchful management of our budgets, we were able to reduce our FY 2015 budget by 6.5% from our FY 2014 enacted budget while maintaining quality service and care.

OPPORTUNITIES AND CHALLENGES

Trust Fund Solvency: Our most pressing challenge is to replenish the balance in our self-sustaining Trust Fund which has declined because of an unplanned reduction in our largest revenue source—Fines & Forfeitures. Working with our Department of Defense (DoD) leadership, in FY 2015 AFRH has identified several opportunities to increase revenue to offset the reduced Fines & Forfeitures.

Our most promising opportunity to significantly increase revenue is from the leasing of 77+ underutilized acres in Washington, DC. In FY 2014, AFRH began moving forward with our AFRH-W Master Plan to lease 77+ acres of underutilized land. The plan, originally approved in 2008, has been on hold until the local real estate market recovered. AFRH, working with the General Services Administration (GSA), is soliciting a ground lease which will provide an additional revenue source to support our Trust Fund. By leveraging our GSA Partnership and working with United States Army Corps of Engineers (USACE), AFRH expects to gain maximum benefit from the development of our property. The Request for Proposal is scheduled to be released in February 2015.

AFRH IG Challenges: The 2015 AFRH Inspector General challenges emphasized the need to promote economy, efficiency and effectiveness in the administration of our programs during 2015. Emphasis on identifying and implementing cost-saving initiatives and operating within mandated budget reductions was highlighted as a way to promote Trust Fund solvency. Added attention was recommended to enhance controls in our technology environment and in our healthcare delivery systems. Some of our IT challenges span years but annually we see incremental progress in every area.

LOOKING AHEAD

This Congressional Budget Justification presents our efforts to hold both Campuses to the highest standards of accountability while strengthening the financial future of AFRH. As we move forward in our vision of a vibrant, economical operation at both AFRH Campuses, we continue to work to use the funding entrusted to us by current and former military personnel and in their best interests while pursuing increased revenue. Our largest cost driver continues to be health care costs.

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.

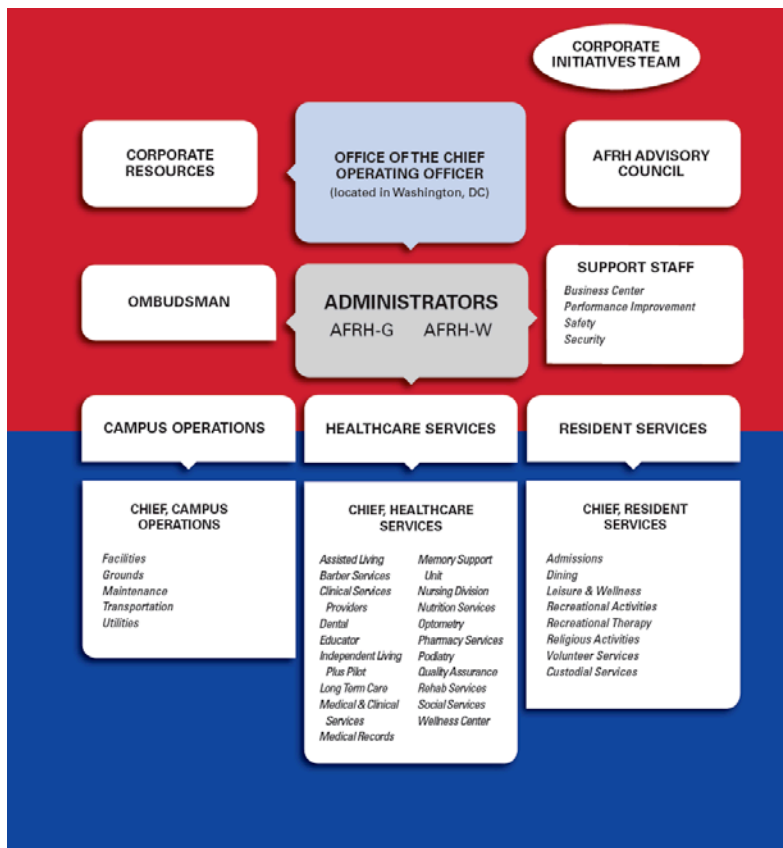
PROMOTE A STAFF-CENTERED ENVIRONMENT: Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.

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). 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. Oversight comes from the Secretary of Defense, delegated to Under Secretary of Defense (Personnel & Readiness) and the Assistant Secretary of Defense (Readiness and Force Management).

The AFRH Corporate level (red on the chart) guides the entire agency under an equivalent structure known as the “One Model”. The “One Model” translates to having the same staffing, policies, procedures and standards of care at each site (blue on the chart). Both Campuses provide comparable state-of-the-art amenities and similar staff configuration. Each facility delivers the same high levels of care in two comparable environments while recognizing the unique needs of its Resident population.



FY 2014 KEY EVENTS AND ACCOMPLISHMENTS

CORPORATE

FY 2014 Agency initiatives focused on greater efficiency and effectiveness to enhance operations including:

Managing the Government Furlough—This major challenge was handled adeptly by AFRH staff with no impact on the health and welfare of AFRH Residents. The AFRH COO and managers carefully reviewed services and made appropriate adjustments to non-essential services and activities. For the first time in 56 years, the AFRH-W Antique Car Show was cancelled and AFRH-G did not participate in the Cruisin' the Coast Auto Show since both were scheduled during the furlough period.

The Joint Commission Accreditation—Throughout FY 2014, AFRH prepared for The Joint Commission (TJC) accreditation survey. TJC is an independent, not-for-profit organization that accredits and certifies more than 20,500 healthcare organizations and programs in the United States and is recognized nationwide as a symbol of quality reflecting an organization's commitment to meeting certain performance standards. During September 2014, both AFRH facilities were surveyed by TJC and found to be compliant with TJC standards. AFRH-G received its accreditation in October 2014, and AFRH-W received its accreditation in November 2014, meeting one of our major performance metrics.

Leadership Training—To improve staff cohesion and better team productivity AFRH Corporate and Campus managers participated in teambuilding workshops. The workshops and activities improved management interaction, strengthened communication, addressed concerns and further opened discussion on interpersonal relationships. Managers rated the teambuilding workshops as highly successful.

Key Personnel Vacancies—The AFRH COO successfully filled key vacancies including the AFRH CFO, AFRH-W Administrator and several healthcare management positions. These Agency and Campus leaders brought a new spirit of innovation and creativity to the AFRH organization.

Employee Individual Performance Plans—In FY 2014, AFRH worked to link individual employee performance to AFRH strategic goals through annual employee Individual Performance Plans (IPP). This linkage strengthens employees' understanding of their responsibilities to support AFRH in meeting our strategic goals.

Leasing Underutilized Buildings—As a source of increased Trust Fund revenue, AFRH is working with our DoD leadership and the U.S. Army Corps of Engineers (USACE) to lease AFRH-W underutilized property. These efforts resulted in identifying and developing a lease with a DC charter school to occupy part of the historic Sherman Building. The school began designs for remodeling and will open in September 2015.

Information Technology—AFRH continued to improve communications and expand electronic data sharing. The use of Cloud technology, video teleconferencing and an upgraded Electronic Medical Record (EMR) system were all part of AFRH IT upgrades. Our new video

teleconferencing capability supported enhanced participation at staff meetings and reduced travel to attend key meetings.

CAMPUS

Both AFRH Campuses continue to expand their reoccurring activities and special community events with our partners. FY 2014 noteworthy events included:

National Capital Region Honor Flight—For many years, World War II (WWII) Veterans from across the U.S. have been traveling to DC to visit the World War II Memorial. In April 2014, AFRH-W hosted the first Capital Region Honor Flight where 12 AFRH WW II Veterans joined other local WWII Veterans to visit the WWII and other national memorials. This daylong event provided veterans with the unique opportunity to experience a day of honor and camaraderie. At the Arlington Cemetery Tomb of the Unknown, veterans were honored with a special wreath-laying ceremony by Major General Jeffrey Buchanan, Commander of the Military District-Washington. More than 100 Residents, family members, active duty service members, Friends of the Soldiers' Home and staff members greeted these veterans when they returned home.

World War II Veterans Japan Visit—In April 2014, AFRH Residents from both Campuses traveled to Japan as guests of a Japanese friendship organization. AFRH WW II veterans participated in a Japan / United States veteran's friendship softball game and toured Japan. The softball game was held in a park adjacent to the 1945 nuclear bomb detonation, and in remembrance, participants wore white hats to symbolize peace. For some of our Residents, it was their first opportunity to visit Japan since their post-WW II tours of duty in the Pacific.

AFRH-W Power Plant Closure—After 107 years of continual operations providing hot water and heat for the AFRH-W Campus, the AFRH-W Power Plant ceased operations on October 4, 2013. Modern energy alternatives and cost efficiency necessitated this change and resulted in significant utility savings.

Military Health Partnerships—AFRH-G renewed Secretary of the Air Force Designee Status for non-beneficiary AFRH veterans providing non-retired AFRH-G Residents the option to receive healthcare at Keesler Medical Centers. AFRH-W Residents also have the same privileges at Walter Reed National Military Medical Center (WRNMMC). The support of Keesler AFB and WRNMMC ensures AFRH Residents have access to specialty care.

Sergeant Major Battaglia's Christmas Message to the Troops—Sergeant Major Bryan Battaglia, Senior Enlisted Advisor to the Chairman of the Joint Chiefs of Staff, became the first Senior Enlisted Advisor to broadcast his annual military forces holiday message from AFRH-W. AFRH Residents were honored to be part of SMG Battaglia's annual holiday message and send holiday greetings to the troops.

AFRH-W Time Capsule—During the earthquake repairs to the historic AFRH-W Sherman Building, a time capsule from 1898 was discovered in one of the Sherman towers. The time capsule was inspected, protected from further damage and resealed in its original tower location. This unknown piece of history sparked the imaginations of the AFRH-W Residents who decided

to continue this tradition. The AFRH-W Residents created a time capsule representing their life at AFRH-W. The time capsule will be placed in the Scott Building. *Items selected by the Residents for inclusion:*

- AFRH-W Director's Coin, 2012 Infantry Soldier Silver Dollar, Vietnam Veterans Memorial Fund Coin and \$2 Bill;
- Colonel Paul R. Goode's book on the history of AFRH;
- 2012 Commemorative Presidential Campaign Photograph of President and First Lady Obama;
- November 7, 2012 *Washington Post* Front page and March 3, 2013 *Washington Post Gazette* article on the Home;
- Current photographs and aerial map of the AFRH-W Campus;
- February 28, 2013 AFRH Communicator Newspaper, AFRH's *Mindful Care, Meaningful Living* published November 15, 2012, and AFRH-W November 23 – December 6, 2013 Calendar of Activities; and
- Resident Roster dated March 15, 2013

New Putting Green—Taco Bell, a new AFRH-G partner, generously provided a \$25,000 donation to install an outdoor putting green, new swings and a park bench to enhance our AFRH-G grounds. These improvements were identified by the Residents as their recreation priorities, and Taco Bell generously met the Residents' needs.

Nation of Patriot Tour Flag Transfer—The Harley Davidson Group (HOG) Nation of Patriot tour, organized in 2009, passes the very foundation of our country, an American Flag, through 48 states in 100 days to pay tribute and honor America's Armed Forces – Past, Present and Fallen. Each night the Flag "rests" at its location before being passed to the next rider for the next day's journey by one of the HOG Nation of Patriot riders. In FY 2014 the group, escorted by the Gulfport Police Department, visited AFRH-G as part of its Patriot Tour. After a Memorial Pool Flag Transfer Ceremony, the HOGs toured the facility and visited with Residents. AFRH-G Residents enjoyed the beautiful motorcycles and were honored to be recognized in this annual tour.

AFRH-G "Super Heroes"—The Ringling Bros. and Barnum & Bailey Circus came to town in July. On July 4th, during a special "Super Heroes" themed performance, AFRH veterans were introduced and recognized as "Super Heroes" for their service to our country. Wearing "Super Hero" capes, they enjoyed the circus from their front row seats.

In addition to acknowledging that our AFRH-G Residents are "Super Heroes", the Ringling Bros. and Barnum & Bailey Circus presented a unique homemade flag created by children from Keesler AFB and brought several circus performers to the Home, including the ringmaster, to meet / greet Residents and provide photo opportunities.

STRATEGIC GOALS / PERFORMANCE MEASURES

AFRH is committed, through its strategy and vision, to create an environment that fulfills the mission of the health and wellness philosophy of aging. Resident services and healthcare are designed to promote Aging-in-Place, and AFRH's day-to-day operations / physical plant have been carefully designed according to Person-centered Care (PCC) principles.

The Strategic Plan for FY 2013-2016 is based on our vision and mission to ensure the organization is a high performing, efficient, and caring Residential community. This AFRH Strategic Plan will guide us until we reexamine our direction when the next President takes office.

PERFORMANCE PROCESS AND MEASURES

AFRH performance measures assist in evaluating our ability to create and maintain an environment that fulfills the mission of the health and wellness philosophy of aging with services and care designed to promote Aging-in-Place. Our action plans shifted from an FY 2013 focus on infrastructure improvement projects to an FY 2014 focus of sustaining the Trust Fund and operating more efficiently. AFRH is committed to continuing our legacy of serving the nation's veterans with a premier retirement community.

AFRH has established performance metrics for assessing program performance against strategic goals and objectives. In this framework are 14 "key" performance metrics that demonstrate and monitor progress towards our strategic objectives. For each performance metric, management has established a performance target.

In FY 2014, AFRH met 79% of its performance metrics. Goal leaders, identified for each Strategic Goal, set measurements, collected data, established corrective actions where needed and assessed the performance results.

FY 2014 PERFORMANCE RESULTS

STRATEGIC 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

Annual Performance Metric: Accreditation

MET

Performance Target: Accreditation in Good Standing

Results: Commission on Accreditation of Rehabilitation Facilities (CARF) Accreditation Maintained / valid through FY 2016; The Joint Commission (TJC) Survey completed in September 2014; AFRH-G Accreditation awarded in October 2014; AFRH-W awarded in November 2014

In accordance with 24 U.S.C. 411 (2012), the AFRH COO is required to "secure and maintain accreditation by a nationally recognized civilian accrediting organization for each aspect of the Retirement Home, including medical and dental care, pharmacy,



Independent Living (IL), Assisted Living (AL), and nursing care.” There is no single civilian accrediting organization in existence which covers all of the AFRH levels of care and services so to meet this requirement AFRH utilizes two accreditation organizations.

Since 2008 AFRH has maintained CARF accreditation which accredits Independent Living (IL) and our current CARF accreditation is valid through 2016.

To supplement our current CARF accreditation and ensure accreditation for our ambulatory and nursing care, an AFRH FY 2014 priority for this strategic goal was to seek TJC accreditation for ambulatory and nursing care. Both AFRH-W and AFRH-G completed their TJC accreditation surveys in September 2014. AFRH-G received TJC accreditation in Ambulatory and Nursing Care in October 2014; AFRH-W received theirs in November 2014.

Annual Performance Metric: Percentage of Resident satisfaction MET

Performance Target: 70% of Residents rate AFRH programs and services as Excellent or Very Good during the annual Resident survey

Results: 91% of Residents rated AFRH services received as Excellent / Very Good in the FY 2014 survey

For FY 2014, AFRH consolidated multiple Resident service surveys into one annual survey which evaluated key service areas including recreation facilities / programs, customer service, housekeeping, healthcare, dining, facility maintenance, grounds, transportation, security, safety, community events and local military and Veterans Administration (VA) medical facilities. Residents had the opportunity to complete the survey either electronically or on paper with the assistance of our dedicated volunteers who entered paper surveys into the electronic system for timely, accurate results.

Over 55% of AFRH Residents completed the survey (559 of 1,015 Residents); a substantial increase in the percentage of Residents who completed the survey (43%) in FY 2013. The average satisfaction rating in all six customer-service areas exceeded our goal of 70%. Top rated recreation amenities included the Bike / Walking Trail, Community Center, Fitness Center and Library. Bus trips, recreational outings, fitness activities, movies and picnics were the top rated recreational activities. The lowest rated recreation amenities include those activities which don't appeal to all Residents including the AFRH-G amateur radio club, AFRH-W auto hobby shop and the AFRH-W fishing pond.

Annual Performance Metric: Percentage of Independent Living Resident Assessment Plans

NOT MET

Performance Target: 95% of Independent Living (IL) Residents offered Resident Assessments annually

Results: IL Resident Assessment Plans completed or offered to 63% of IL Residents

For IL Residents, AFRH completes an initial healthcare assessment upon admission to the Home, annually during the individual's birth month and when level of care changes occur. An AFRH Healthcare Assessment is a comprehensive assessment which includes, but is not limited to, medical history, physical examination, psychosocial assessment,

medication reconciliation, risk assessment in association with existing co-morbid conditions and lifestyle such as obesity, smoking, alcohol and drug abuse.

AFRH's goal is to offer IL Residents an annual health care assessment, however, recognizing their independent status and use of outside health care providers, IL Residents have the option to accept or decline. During FY 2014, AFRH did not meet this goal due to health care provider vacancies at both Campuses. To ensure AFRH successfully reaches this goal in FY 2015, we have identified the barriers, implemented a plan of action, set monthly milestones and established monthly reporting requirements.

STRATEGIC 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

Annual Performance Metric: Trust Fund Solvency MET

Performance Target: Even balance of resources versus obligations

Results: Revenues and Trust Fund balance adequate to support FY 2014 obligations / expenditures

AFRH is primarily self-sufficient, operating from the AFRH Trust Fund and annual revenue streams for operations & maintenance as well as capital improvements. The FY 2014 budget authorization of \$67.8 million (\$66.8M Operations & Maintenance and \$1 million Capital Improvement) is supported by the AFRH Trust Fund, not from the U.S. Treasury General Fund. Expenditures above annual revenue are withdrawn from available Trust Fund balance.

AFRH continues to identify and implement cost containment activities keeping operations efficient and ensuring accurate financial reporting. AFRH staff finds innovative ways to reduce costs while maintaining quality service and facilities for our Residents. A key way AFRH maintains exceptional stewardship is by leveraging our partnerships with the U.S. Treasury Bureau of Fiscal Services and Department of Agriculture National Finance Center. Working with these administrative shared service providers ensures segregation of duties, regular transaction auditing, improved efficiencies and measurement of key financial indicators.

Because of an unanticipated reduction in our largest revenue stream—Fines & Forfeitures—a larger than expected Trust Fund balance withdrawal was required to support FY 2014 obligations and expenditures. To reverse this trend, AFRH continues to scrutinize spending, seek efficiencies, implement cost reductions to preserve resources and identify opportunities to increase revenue.

Annual Performance Metric: Accuracy of Financial Reporting MET

Performance Target: Unmodified Audit Opinion

Results: FY 2014 Clean (Unmodified) Audit Opinion

AFRH received its 10th clean ('unmodified') audit opinion under the watchful direction of the CFO. Financial reporting is timely and accurate.

The independent accounting firm, Brown & Company CPAs, PLLC, expressed an Unmodified (clean) Audit Opinion on our comparative FY 2014 and FY 2013 Financial Statements, Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources.

No material weaknesses or significant deficiencies were found. This opinion is a testament to effective fiscal management at AFRH.

Annual Performance Metric: Environmental Initiatives

MET

Performance Target: Annual goals met

Results: Completed milestones towards meeting FY 2015, FY 2017 and FY 2020 Energy and Water Requirements

In compliance with Executive Order 13423 "Strengthening Federal Environmental, Energy, and Transportation Management" (January 2007) and Executive Order 13514 "Federal Leadership in Environmental, Energy, and Economic Performance" (October 2009), AFRH initiated environmental reporting in 2012 creating performance goals to emphasize the importance of environmental factors in efficient operations.

AFRH environmental cost drivers include certain operational activities, improvement projects for equipment upgrades, assessments, taxes and fees required for environmental safety and regulatory levies on properties and operations. In addition to the Executive Order requirements, maintaining proper environmental conditions for seniors is critical for our CARF and TJC accreditations.

Per federal requirements and guidance, AFRH tracks, reports and reduces energy consumption, water use and waste generation along with developing inventories of Greenhouse Gas (GHG) emissions every year. AFRH established a reduction target for FY 2020 from our FY 2008 baseline and submitted the required updated Strategic Sustainability Performance Plan (SSPP) on time.

The SSPP outlines AFRH policies, programs and mitigation strategies to meet our environmental targets. Key sustainability focus areas for FY 2014 included:

- improving and streamlining data collection;
- improving waste data tracking (generation and diversion);
- conducting an employee commuting survey;
- collecting sustainable contracts and procurement data;
- sub-metering and analyzing individual buildings data;
- promoting recycling and reducing waste;
- evaluating annual progress and revisiting goals; and,
- developing Notice of Opportunity packages of Energy Saving Procurement Contacts (ESPC).

Environmental Goals and Results

Energy: In FY 2013, AFRH experienced a temporary spike in energy consumption as a result of construction to replace the old AFRH-W Scott building. In FY 2014, with the completion of the energy efficient new Scott building, AFRH resumed its downward energy consumption trend. AFRH has selected an Energy Savings Performance Contract (ESPC) to assess areas for further energy initiatives in response to the President's Performance Contracting Challenge.

Fleet: AFRH operates a fleet of less than 20 vehicles, and therefore, is exempt from federal petroleum reduction and alternative fuel requirements; however, AFRH evaluated fleet usage to identify energy efficient opportunities and has reduced its fleet by 20% since the 2008 baseline.

GHG Emissions: Energy is the primary source of AFRH's GHG emissions; more energy efficient operations are assisting AFRH in meeting this reduction goal. In FY 2013, AFRH conducted assessments of the AFRH-W Scott Building and the AFRH-G facility determining both buildings currently meet over 50% of the *Guiding Principles for Leadership in High Performance & Sustainable Buildings* with improvements underway to meet an additional 20-25% by the end of FY 2015.

Waste: AFRH has taken numerous steps to increase recycling. The AFRH-W one-line recycling contract which requires the contractor to separate recyclables has significantly increased diversion of waste.

Water: Water use intensity has been reduced by 50% since the FY 2007 baseline was established. This reduction has been accomplished through water conservation measures, leak detection / repair and reduced landscaping water use.

Annual Performance Metric: Trust Fund Growth

NOT MET

Performance Target: Positive result of Washington, DC Master Plan

Results: No growth has occurred since FY 2010

As predicted, the Trust Fund balance diminished significantly while supporting the AFRH-W Scott Building. However, with the unexpected decline in our largest revenue source (Fines & Forfeitures) the Trust Fund balance is lower than forecasted in our AFRH Long Range Financial Plan.

The most viable way to generate Trust Fund revenue is through a multi-tier approach which includes raising Resident Fees, increasing the Active Duty Monthly Withholding, and implementing the Washington Master Plan. Resident Fees and Active Duty Withholding will provide immediate income while revenue from the Washington Master Plan will not be generated for several years.

AFRH, working closely with our DoD Leadership, will implement a reasonable and equitable Resident Fee increase on July 1, 2015 which will provide an additional \$300K in revenue for FY 2015 and approximately \$1.4 in FY 2016 and out years. In addition, DoD has concurred with increasing the monthly Active Duty withholding from 50 cents to \$1

which provide an additional \$1.7M in FY 2015 and approximately \$6.8M in FY 2016 and out years. These two additional revenue sources will provide additional revenue to support annual expenditure outlays and provide adequate time for the AFRH-W Master Plan to be fully implemented. Once the AFRH-W Master Plan is implemented and the property developed, AFRH will receive additional income to begin building the Trust Fund balance. AFRH is closely monitor the Trust Fund revenue and is updating the AFRH Long Range Financial Plan to update our projections with these revenue changes.

Annual Performance Metric: Cost avoidance

MET

Performance Target: One (1) cost avoidance project implemented per year

Results: Closing of the AFRH-W Power Plant resulted in significant cost avoidance

Each year AFRH identifies and implements one cost avoidance initiative. For FY 2014, AFRH closed the AFRH-W steam generating Power Plant. The AFRH-W Power Plant has been continuously generating heat and hot water for over 100 years. Modern energy efficient alternatives and the substantial reduction in the AFRH-W footprint necessitated the closing of the Power Plant.

The closure provided savings in personnel, infrastructure maintenance / repairs and regulatory compliance resulting in a significant cost reduction in AFRH-W utility costs.

STRATEGIC 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

Annual Performance Metric: Evidence of measurable training goals

MET

Performance Target: 80% staff participation in four (4) mandatory training classes

Results: 98% of staff participation in at least four (4) mandatory training classes

As part of the staff-centered focus, AFRH has increased its employee training opportunities and placed more emphasis on mandatory training requirements to assist employees in meeting our mission / vision. With management's recognition of the importance of increasing efficiencies in operations and maintaining accreditation, training classes have been designated as mandatory to ensure AFRH staff have the background and knowledge to contribute to AFRH's goals in a meaningful way.

FY 2014 mandatory classes (depending on responsibilities) included: Ethics, HIPAA, Safety, IT Security Awareness, Equal Employment Opportunity Act, No Fear Act, Workers' Compensation, Performance Management / Person-centered Care, Resident Rights, Suicide Prevention and Contract Officer Representative (COR). In FY 2015, AFRH will be including web-based training opportunities for select mandatory classes.

**Annual Performance Metric: Percentage of Employee Viewpoint
Survey responses of “Excellent” or “Very Good”**

NOT MET

Performance Target: 70% Employee Climate Survey responses of “Excellent” or “Very Good”

Results: Not met due to low employee response

Each year AFRH staff participates in the annual Federal Employee Viewpoint Survey to assess AFRH employee satisfaction. This survey provides AFRH management with valuable information identifying areas for improvement. This year’s employee response, 45% of total workforce, was disappointing. The low employee response is attributed to the timing of the survey which occurred during a peak operational period, TJC accreditation survey preparation.

In FY 2015, more emphasis will be placed on the importance of the survey to assist in increasing employee response. Despite low employee response, AFRH has carefully analyzed the results and identified several areas for improvement. The Chief Human Capital Officer (CHCO) has developed a plan of action and milestones to make corrective steps in areas identified for improvement.

In addition to the annual OPM Employee Viewpoint Survey, AFRH annually administers DoD’s Defense Equal Opportunity Management Institute (DEOMI) survey. This survey is an additional tool to help managers assess factors that can boost employee effectiveness and pinpoint key issues through employee comments. The DEOMI results prompted AFRH managers to engage in team building at the Agency and Campus level as a corrective action to some organizational issues raised by staff members in the FY 2014 DEOMI Survey. Using 360 surveys and team workshops, managers benefited from the expanded communication the team building activities provided.

**Annual Performance Metric: Measureable evidence of growth
beyond work activities**

MET

Performance Target: Seek and implement employee recommendations

Results: Four (4) employee recommendations implemented in FY 2014

In FY 2014 an Employee Committee from both Campuses present potential employee initiatives in education and training, wellness activities, communications and staff specific dining options. During 2014, AFRH established a quarterly employee newsletter, AFRH Staff Times, to assist in keeping employees up to date on AFRH, OPM and work-life issues.

At the request of employees, AFRH added a “soup and salad” dining option. This initiative reduced meal costs, offered healthier choices and provided the ability for employees to dine outside the Resident Dining Hall. This initiative has been successfully implemented at both Campuses.

To promote wellness, for the second year in a row the entire workforce participated in a walking competition to see which Campus would be the first to log the distance between Gulfport and Washington--more than 1,000 miles. Facility staff, contractors, and Agency



personnel reported their personal mileage throughout June. AFRH-W won for the second consecutive year. With the establishment of lunchtime walking groups, this competition improved communications, health, and camaraderie.

Annual Performance Metric: Achievable Person-centered Care **MET**
Performance Target: Implement two (2) PCC initiatives per year

Results: Two (2) successful initiatives completed

For several years, AFRH has been moving towards Person-centered Care. 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 within budget constraints. In FY 2014, AFRH PCC initiatives included improving AFRH environments for both Residents and staff validating our high standards of care through adhering to TJC accreditation standards. AFRH continued to improve on the delivery of Residents services and to validate services provided were meeting the expectations and needs of our Residents. Because of AFRH's multiple levels of care (Independent Living, Independent Living Plus, Assisted Living, Long Term Care and Memory Support), meeting the needs of our varied population is no small feat.

Both Campuses initiated beautification projects for their outdoor spaces. AFRH-G made significant improvements by planting trees, gardens, flower boxes and wildflowers. Both employees and Residents benefit from the more home-like environment. AFRH-W Residents and staff have been working on their Landscape Master Plan to improve walking trails, provide historic markers and identify species of trees. AFRH-W volunteers planted more than 20 Japanese cherry trees—a symbol of our nation's capital—donated by Macy's to line the main road into the facility. The historic quadrangle is filled with year-round blooming flowers, grass and bushes.

Being accredited both by CARF and TJC has been the goal for many years. To achieve both accreditation is a prized accomplishment that demonstrates the commitment by staff to providing the highest levels of care for AFRH Residents. The results of the September 2014 TJC accreditation surveys validated AFRH's ability to meet the high standards for ambulatory and nursing care.

STRATEGIC 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

Annual Performance Metric: Trust Fund Contributions **MET**
Performance Target: Increase in contributions received

Results: Contributions Increased

This performance target was new for FY 2014 in recognition of our need to increase revenue to support outlays. AFRH is improving our marketing to ensure veterans and potential contributors are aware of AFRH and its services. AFRH is using Facebook,



retired military publications and veteran organizations to enhance our marketing efforts. Gifts to the AFRH Trust Fund are tax-exempt and used for the direct support of our Residents through medical care, physical therapy, recreation, fitness and daytrips.

Annual Performance Metric: Annual Community Events

MET

Performance Target: Two (2) community events held at each Campus

Results: > Two (2) community events held at each Campus

AFRH created its annual community events requirement as a primary outreach to external stakeholders, and each facility tailors community events to the local community drawing supporters, families and friends to celebrate special events, military recognitions, and fun-filled activities.

AFRH-G COMMUNITY EVENTS INCLUDED:

- *Annual Veterans Day Open House & Community Day:* Veterans, active duty and the community joined AFRH-G to commemorate Veterans Day.
- *Annual Mardi Gras Celebration:* The King and Queen of AFRH-G are crowned and we hold a traditional parade.
- *May Garden Day and Open House:* Residents shared their new gardening and landscape upgrades with neighbors.
- *Celebration of the new putting green and swings:* These amenities were generously donated by Taco Bell.

AFRH-W COMMUNITY EVENTS INCLUDED:

- *Black History Month:* President Lincoln's Cottage hosted descendants of Solomon Northrup, author of *12 Years a Slave*, as part of this annual event.
- *4th of July Community Event:* AFRH-W's 4th of July celebration draws active duty military & their families to enjoy the national fireworks with our Residents.
- *Annual Holiday Tree Lighting and Dance:* Friends of the Soldiers' Home (FOSH) singers entertained AFRH-W Residents at the tree lighting and Holiday Dance co-sponsored by AFRH, Lincoln Cottage and the local community.
- *Memorial Day:* Active-duty members from the USS Abraham Lincoln, joined our Residents to lay a wreath at the Soldiers' Home National Cemetery.

CAMPUSES

The original notion of an 'asylum' to care for America's former military veterans has evolved to two state of the art Continuing Care Retirement Centers (CCRC) facilities. The Home has changed from working farms and light-duty workshops to golf courses, swimming pools, community gardens, and scenic walking trails. Large institutions facilities have been replaced with intimate domiciles and open communities who welcome partnerships with the local communities.

AFRH has two locations, one in Gulfport, MS (AFRH-G) and one in Washington, DC (AFRH-W). Both AFRH facilities are comfortable and accessible homes for today's retired veterans. Each community has its own character reflecting the input of its Residents. Both Homes have modern facilities, top-notch amenities, recreational services and a small house concept in upper levels of care. The small house concept in upper levels of care contributes to AFRH's person-centered vision by meeting individual Resident needs in a home-like setting.



GULFPORT, MS

The AFRH-G facility is located on approximately 40 acres of waterfront land on the Mississippi Sound. The resort towns of Gulfport and Biloxi as well as Keesler Air Force Base and other government facilities are in close proximity. The Gulfport community has been home to former enlisted, limited duty and warrant officer service members since 1976 when the Naval Home relocated to Gulfport from Philadelphia, PA, where it was established in 1834 as the first permanent military retirement asylum.

A new energy-efficient and modern facility opened in 2010 after the original building was severely damaged by Hurricane Katrina in 2005. The new building was designed to withstand Category 5 hurricane-force winds and was tested in August 2012 during Hurricane Isaac with damage being limited to some outside window awnings.

The new building features a multi-tower complex with all five levels of care under one roof. Full amenities include dining, social, recreational and therapeutic activities. AFRH-G Campus amenities include a swimming pool, hobby shops, a wellness center with general practice medicine and basic dental and eye care, a bank, a barber / beauty shop, a putting green, bowling areas, a community room / movie theater, a computer room, a library and a private walkway to the beach.



The AFRH-G Residents are energetic and have put their stamp on the home with military memorabilia and beautification projects. They enjoy close relationships with military, government, civilian and business associates in the area.

During 2014, AFRH-G Residents completed several key landscaping improvements on the property. Gardeners and plant enthusiasts heartily engaged in planting new trees, wild flowers, flowerbeds and adding flower boxes. As in past years, the Residents' vegetable gardens flourished.



WASHINGTON, DC

The AFRH-W is located atop a hill on 272 acres in the heart of our nation's capital. The AFRH-W Campus has been home to thousands of former enlisted, warrant officer and limited duty officer service members since 1851. AFRH-W has many historic buildings including President Lincoln's Cottage, the Sherman Building (which served as one of the original dormitories), former military leaders' quarters, and the stately Grant Building. In the 19th century Residents wandered through cow pastures; today, those same fields are now our golf course. Residents have a breathtaking view of the U.S. Capitol and the Washington Monument from the Scott Building.

The AFRH-W has full amenities including an indoor swimming pool, hobby shops, a wellness center with medical care, a credit union, barber / beauty shop, a bowling center, a community room / movie theater, computer rooms, a library, and a 9-hole golf course / driving range.

AFRH-W Residents are active in ensuring the Washington facility reflects their heritage and personality. They have contributed their military memorabilia, and their artistic creations fill the

halls of several buildings with paintings depicting military events and campaigns created by Residents.

In 2014, several major landscaping projects were completed including newly planted trees, shrubs and flowers which blossomed into a comfortable and inviting space for Residents to enjoy. During nice weather, Residents gather on a quadrant and outdoor recreation areas. This newly established historic quadrangle is also used for many public events and celebrations.



The Residents Landscape Committee designed a backyard recreation area to provide additional outdoor space for the Residents complete with a bocce court, shuffleboard, a basketball hoop, a horseshoe pit, a barbecue grill and

picnic tables. This area was completed in time for the Residents to enjoy during the fall and is a popular area for Residents and their guests.

The “Lady Sheridan” Residents, working with the AFRH-W Recreation staff, have also been busy creating a more home-like entrance to the Sheridan Building. These Residents established and maintain a new flower area in the main lobby creating an inviting entrance for our Residents and their guests.

STRATEGIC PLANNING

In addition to its Strategic Plan for FY 2013-2016, AFRH has several plans that form the foundations for moving forward:

- Capital Improvement Plan,
- AFRH-W Master Plan,
- Long Range Financial Plan,
- Campus Landscape Plans,
- Information Technology (IT) Strategic Plan, and
- Strategic Human Capital Plan.

CAPITAL IMPROVEMENT PLAN

AFRH maintains a Capital Improvement Plan (CIP) for current and future capital improvements requirements for both facilities. The CIP outlines improvement and sustainability projects required in out years. The Plan include capital improvement projects based on the AFRH Strategic Plan with implementation timelines and financial funding requirements. The Plans account for military monuments, 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 are consultation services on historic preservation planning, local and federal design review, NHPA Section 106 and Section 110 compliance, and Cultural Resources Management are required.

Since both AFRH communities have different capital improvement needs, each Campus has Individual Plans which are linked to the Agency's singular Mission, Vision and Guiding Principles. Since the Gulfport campus is relatively new, the majority of capital projects currently included in the CIP are for the AFRH-W Campus.

2014 CIP Highlights

In 2014, AFRH focused on working with the General Services Administration (GSA) to release a Request for Proposal (RFP) for the development of 77+ acres of underutilized AFRH-W land. The Master Plan for this development was approved in 2008 but was placed on hold due to a downturn in the DC real estate market. AFRH hosted an Open House in October 2014 for interested developers which was well attended. AFRH is working on the required supplemental Environmental Impact Study.

AFRH is also working with the Department of Energy's Federal Energy Savings Performance Contract (ESPC) program and has selected an ESPC contractor to assess areas for further energy initiatives in response to the President's Performance Contracting Challenge. AFRH, working with the ESPC contractor, has identified several areas for potential energy saving opportunities and believe this program will assist AFRH in further reducing our utility costs particularly in our AFRH-W Sheridan Building.

In October 2013, the AFRH-W Power Plant was closed. Since 1907, the AFRH Power Plant has supplied heat and electricity to AFRH-W. AFRH-W installed a new power generation system and

closed this aging relic. The old heating system relied on an aging, fragile infrastructure, was inefficient, resulted in high annual heating costs, required extensive and costly maintenance and lacked a system redundancy—an operational safety risk. Additional cost drivers included: assessments, and fees specifically required for environmental safety and regulatory levies on properties and operations. Today, maintaining proper environmental conditions for seniors is critical for earning the CARF and TJC accreditations. AFRH has gained approval to include the closed Power Plant and surrounding buildings in the AFRH-W Master Plan. Including the Power Plant in the solicitation will further reduce the cost of maintaining this historical building and increase the revenue from the lease.

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 GHG emissions while meeting new targets under Executive Orders 13423 and 13514.



AFRH-Washington, DC Power Plant 2013

2015 CIP Planned

Top priorities for FY 2015 include safety, security and accreditation improvements. AFRH-W's high priority projects include water infrastructure (critical repairs for 70-90 year old pipes), roads and sidewalk repairs, keyless entry system, and projects associated with the Master Plan development of the 77+ acres. AFRH-G priority projects include an upgrade to our Nurse Call System.

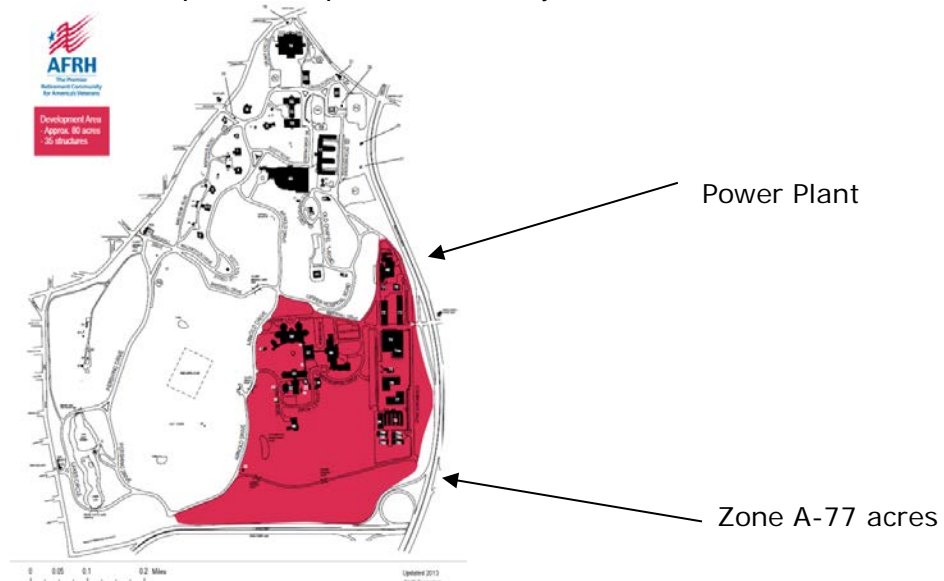
As authorized by the National Defense Authorization Act of FY 2002 (as modified in Public Law 111-084), AFRH, working with our DoD leadership and the U.S. Army Corps of Engineers (USACE), will lease part of the AFRH-W Sherman Building to a DC charter school. The school completed designs for remodeling in FY 2014, will commence renovations once the lease is signed, and open for the 2015-2016 school year providing additional Trust Fund revenue, reducing operations and maintenance costs and providing volunteer opportunities for our Residents.

AFRH-W MASTER PLAN

In 2008, AFRH identified 77+ acres in “Zone A” which were underutilized and could potentially be leased 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.

To prepare for the leasing of Zone A, 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 of Zone A was placed on hold.

During FY 2014 AFRH studied the possibilities of reinvigorating the lease of the 77 acres on the southeast end of our AFRH-W Campus and adding the closed Power Plant /surrounding buildings. By including the mothballed Power Plant property in the acreage for the lease, the property for lease is now 77+ acres and ready for development. AFRH in conjunction with General Services Administration (GSA) is using the original Master Plan which was previously approved by the National Capital Planning Commission. Due to the amount of time between the issuance of the Record of Decision (RoD) document for the regulatory required NEPA Environmental Impact Study for this area, AFRH is required to perform a supplemental EIS. Our capital improvement budget provides the funding needed to capture any environmental changes and any additional required mitigations since our original RoD. A very successful Industry Day in October 2014 drew over 75 real estate developers to hear a briefing from GSA on the plans for the 77+ acres. Questions were fielded in anticipation of releasing the solicitation for development bids in the second quarter of FY 2015. AFRH will only move forward with leasing if we can secure a fair market price. AFRH hopes to complete the lease by the end of FY 2017.



AFRH-W Property Proposed for Development

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 AFRH to establish and maintain a concerted and directed development and improvement effort. Updates are completed as needed to reflect revenue trends, expenditure priorities and better forecast Trust Fund balances.

AFRH prepares a Long Range Financial Plan to forecast Trust Fund solvency, to identify financial and operational risks, and to test risk mitigation strategies. A key part of the Long Range Financial Plan is the risk analysis that tests the financial impact of changes in the sources of funding and costs of operations. The primary sources of funding operations are:

- Fines & Forfeitures, a disciplinary penalty collected from active duty enlisted personnel;
- Monthly withheld payment from enlisted personnel designated for supporting AFRH (currently fifty cents per month);
- Interest earned on the Trust Fund;
- Monthly fees paid by AFRH Residents for room, meals, recreation and healthcare; and,
- Gifts & Estates

The FY 2015 LRFP update will focus on recent changes in our annual revenues and Trust Fund Solvency. Updates to our revenue projects will include the unanticipated drop in our largest revenue source, Fines & Forfeitures; inclusion of revenue from the lease of underutilized buildings, and revision of projected revenue and timeframe for the lease of AFRH's 77+ acres.

The primary sources of costs are campus operations that maintain buildings and grounds, Resident services that provide Resident food and recreation, and healthcare for wellness services to independent living and nursing and medical services to upper levels of care. Healthcare continues to be AFRH's largest cost driver, and AFRH will continue to seek efficiencies in this area while ensuring the health and safety of Residents.

In the last ten years, AFRH has been challenged with the consequences of two major disasters-- Hurricane Katrina and the Washington earthquake, and with two major construction projects (the new Gulfport facility and the new Scott Building). While managing these projects, AFRH reduced operating costs substantially and increased the quality of Resident services including healthcare. Unfortunately, the cost reduction efforts have not been enough to offset the unexpected reduction in revenue. These extraordinary funding reductions now raise the possibility of Trust Fund insolvency.

Fines & Forfeitures, AFRH's largest source of revenue, have exhibited some variation from year to year but in the last five years, Fines & Forfeitures have fallen significantly—24%. The reasons for this reduction are unknown so AFRH does not have a basis for predicting either a return to previous levels or continued declines in this important source of funding. To ensure Fine & Forfeiture are being properly transferred from DoD and assist in better predicting our out year revenue, AFRH, working with our DoD leadership, has requested an audit of DoD collections versus the amount transferred to AFRH. Based on the results of this audit, AFRH will be able to better build this uncertainty into the risk analysis for the Long Range Financial Plan by using risk scenarios that consider further changes in Fines & Forfeitures. The unanticipated revenue



shortfall from Fines and Forfeitures has reduced the size of the Trust Fund investment portfolio. The smaller Trust Fund balance and the Federal Reserve's policy of low interest rates have reduced investment interest earned on the Trust Fund investments.

To assist in bolstering revenue to support annual outlays, AFRH, working with our DoD Leadership, to increase the active-duty withholding from 50 cents to \$1 / month and implement an equitable Resident Fee increase. While leasing underutilized property will provide substantial additional revenue, the new funding is unlikely to provide substantial revenue until after 2019.

AFRH remains committed to providing the veteran Residents with a superior and affordable opportunity. Reduced revenue presents challenges, and the sale or lease of underutilized land may not be sufficient to make up for lost revenue and rebuild the Trust Fund.

CAMPUS MASTER LANDSCAPE PLANS (MLP)

The AFRH MLPs provide a comprehensive landscape program for specific projects and guidelines to improve our Campuses, encourage Resident use of the grounds and create a welcoming and safe environment. Each Campus has a Resident Advisory Committee (RAC) Landscaping Sub-committee who garners Resident input and prioritizes projects. Through the RAC Landscaping Sub-committee multiple projects were completed at both Campuses in FY 2014 and additional projects are planned for FY 2015.

In Gulfport the Residents have taken an avid interest in the landscaping of their beachfront home. They have enhanced the front entrance with flowers / trees and developed wildflower meadows on the grounds to add color throughout the spring and summer. During 2014, many gardeners planted vegetable, plants and flowers and shared their gardening tips with the Community during a Spring Open House.

The AFRH-W plan celebrates the history and military heritage of the property nestled in the heart of Washington, DC and home of the President Lincoln's Cottage. A key component to the AFRH-W Landscape Plan is the involvement of the surrounding community. Macy's donated cherry trees which were planted by volunteers along the road in front of the historic quarters. AFRH-W other large project is the historical walking paths.

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 expansive, open Campuses which are secure to allow for safe usage by our aging population.

INFORMATION TECHNOLOGY (IT) STRATEGIC PLAN

The IT Strategic Plan identifies future IT improvements and potential areas for cost avoidance while enhancing current operations.

FY 2014 IT Highlights

Cloud Computing Solution with SharePoint and Microsoft 365—During FY 2014, AFRH successfully completed its migration from Lotus Notes email to Microsoft Outlook, which was part of the cloud based Office 365 solution deployed agency-wide. Mobile devices were also included in this migration.

Electronic Health Record System (EHRS)—In FY 2013, AFRH began the move from a paper-based Resident health care record to an EHRS to ensure up-to-date healthcare information is available. In FY 2014, AFRH expanded the use of the system to include Resident financial data to improve our Resident billing process, implemented use of the AFRH Resident record and enhanced the functionality and reporting ability of the cloud-based Electronic Medical Record (EMR) system. AFRH IT facilitated training for the DrCloud system which allowed numerous staff members at both Campuses to participate in training on the overall functionality of the system. This training established a base of Super Users who are now able to assist other end-users with training and support issues.

Senior TV—In FY 2013 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. After only one year, the number of Residents utilizing this service has increased and Senior TV is fully funded by Resident charges.

IT Upgrades—Video conferencing was implemented and is used to support various functions (weekly staff meetings, Advisory Council meetings, training, etc.). AFRH also completed deployment of an unsecured Wi-Fi service in the administration areas in the Scott building at AFRH-W. AFRH-W replaced 100 desktop computers and upgraded over 90% of the staff to the Windows 7 operating system providing additional security for data protection.

Our main goal for FY 2014 was to ensure that a secured environment existed for Resident and employee data. AFRH also moved the Internet Service Protocol (ISP) to a more secured environment by migrating to the Department of Interior's "Managed Telecommunications Internet Protocol Service (MTIPs)". This move has ensured AFRH is compliant with the mandate that all federal agencies operate within a MTIPs environment, which allows for agencies to implement a more robust cyber security program as prescribed by the Department of Homeland Security and the Federal Information Security Management Act (FISMA).

STRATEGIC HUMAN CAPITAL PLAN

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

- Foster mission-focused human capital planning;
- Cultivate a leadership culture that fosters excellence and mission achievement;
- 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.

Throughout FY 2014 AFRH, under the guidance of the Chief Human Capital Officer (CHCO), strengthened the link between the AFRH Strategic Plan and annual staff performance appraisals. Starting in late FY 2013, AFRH rolled out a multi-step approach for assignment and oversight of employee work standards, reporting results based on standards and evaluating individual performance.

Specific process improvements included recurring, timely employee performance evaluation / counseling, improving workflow processes, rating cycle realignment, limiting the number of Individual Performance Plan (IPP) critical elements, and linking IPP critical elements to AFRH Strategic Goals.

Throughout the year, Strategic Goal Leaders prepared detailed, measurable IPP critical elements to standard performance measures specific to employee responsibilities. This fresh approach provides a better understanding of how an employee's individual responsibilities impact the Agency's ability to meet its Performance Metrics. Throughout FY 2015 Goal Leaders and AFRH managers will be evaluating the effectiveness of reaching performance goals.

FY 2014 Human Capital Highlights

- Quarterly employee breakfasts;
- Employee town halls with Administrators and the COO;
- Employee of the Quarter and Year awards;
- Quarterly newsletter;
- Federal service, retirement and new employee recognition;
- Additional dining options; and
- Combined Resident / staff activities.

As a part of the FY 2016 budget, each agency must work on improving the results for Office of Personnel Management's (OPM) Federal Employee Viewpoint Survey. AFRH's survey participation and scores declined in FY 2014 yet remain above the Federal average in each area. AFRH will work towards increasing employee survey responses and identifying strategies for improvement areas.

ACCREDITATION AND OVERSIGHT

The National Defense Authorization Act of FY 2009 prescribed mandatory accreditation by a nationally recognized civilian entity for each AFRH level of care (including medical and dental care, pharmacy, Independent Living, Assisted Living, and nursing care). The AFRH currently maintains Commission on Accreditation of Rehabilitation Facilities (CARF) accreditation and The Joint Commission (TJC) Gold Seal of Approval 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. AFRH has been accredited since 2008 and performed their last inspection in 2011. 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 Quality Improvement Plans (QIP) developed.

The Joint Commission (TJC) Accreditation: Seeking accreditation for AFRH's additional levels of care (Assisted Living, Memory Support and Long Term Care), AFRH engaged with The Joint Commission (TJC) to complete a survey at both Campuses in 2014 for ambulatory and nursing care. TJC is a nonprofit tax-exempt 501 organization that accredits more than 20,500 healthcare organizations and programs in the United States. TJC's Gold Seal of Approval communicates that an organization continually improves the safety and quality of care and provides good risk management in delivery of services.

During September 2014, both AFRH facilities were surveyed by TJC and found to be compliant with TJC standards. AFRH-G received its accreditation in October 2014, and AFRH-W received its accreditation in November 2014, meeting one of our major performance metrics.

DOD IG Inspection: The DoD IG assesses the Agency tri-annually with the last inspection occurring in 2012. AFRH received the 2012 DoD IG draft report in 2014 and has been working to complete recommendations. The next DoD IG assessment will occur in FY 2015.

Annual Financial Audit: For FY 2014, AFRH received its 10th consecutive Unmodified (previously referred to as unqualified) opinion by an independent audit per Generally Accepted Accounting Practices (GAAP). No material weaknesses were found. This opinion is a testament to effective fiscal management at AFRH. To support our audit, AFRH partners with our shared service providers, U.S. Treasury Bureau of the Fiscal Service (BFS) and Department of Agriculture National Finance Center (NFC). Through Interagency Agreements, BFS provides AFRH financial management activities and NFC provides payroll services which interface with our Oracle financial system.

Additional Oversight / Reviews:

DOD Personnel & Readiness (P&R): 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; AFRH regularly reports progress on recommended improvements.



OPM: AFRH is inspected by OPM for its Human Capital Goals and progress every three to five years. The last OPM inspection was in FY 2013 with no significant findings.

AFRH Advisory Council: The AFRH Advisory Council, with outside experts from the active / retired military community, other Federal Agencies including P&R and Defense Health Agency (DHA), military Senior Enlisted Advisors, and Resident representatives from both Campus, works collaboratively with AFRH management and our DoD leadership to provide guidance, make recommendations and assess service areas. These outside experts are selected for their expertise in military life, veteran affairs and healthcare.

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 2014 the Advisory Council provided positive comments and recommendations in its FY 2013 Annual Report which is posted on the AFRH website.

CURRENT CHALLENGES

In FY 2015, 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 Chief Operating Officer (COO) and managers identified the following FY 2015 Challenges:

- Trust Fund Solvency and identification of additional revenue sources;
- Maintaining our current accreditations and seeking accreditation for our Independent Living Plus Level of Care;
- Establishing and maintaining optimal technology;
- Advancing our Person-centered Care initiatives; and,
- Focusing on retaining staff and improving job satisfaction.

In addition to the challenges identified by AFRH managers, the AFRH IG annually identifies and presents to the COO a list of challenges. In FY 2014, the AFRH IG continued accountability audits at both AFRH communities, held one-on-one meetings with Residents / staff and completed active walkthroughs at both Homes to manage / investigate concerns or perception of fraud, waste, abuse or mismanagement.

AFRH IG challenges and recommendations for FY 2015 are:

MANAGEMENT CHALLENGES	RECOMMENDED ACTIONS
Financial --Ensure Trust Fund solvency and work within mandated budget reductions	-- Maintain cost containment activities implemented in previous years
	-- Implement Internal Controls and recommendations from audit inspections and accreditation
	-- Work with DoD to develop alternative strategies and gain approval for increasing revenue streams
	-- Implement the AFRH-W Master Plan
Accreditation --Maintain CARF and secure Joint Commission accreditation	-- Adhere to reporting requirements. Implement and maintain any recommendations from CARF Quality Improvement Plans
	-- Implement recommendations from The Joint Commission accreditation survey
	-- Secure the Home Healthcare accreditation in 2015
Information Technology -- Establish and maintain an optimal technology operating environment within budget constraints	-- Implement EHRS billing module and continue improving EHRS for better, more accurate Resident record management
	-- Deploy knowledge management through SharePoint and provide staff training
	-- Improve productivity in using new IT with new processes versus old equipment and its processes
	-- Show results of IT strategic objectives
Person-centered Care (PCC) --Continue progress in PCC operations to enhance service delivery	-- Refine metrics for better results in PCC
	-- Empower staff by expanding PCC knowledge and skills
	-- Achieve acceptable performance and alter services as needed
Staff-centered	-- Retain subject matter expertise in key AFRH positions by reducing

MANAGEMENT CHALLENGES	RECOMMENDED ACTIONS
Environment --Address staff issues and concerns to improve working environment	turnover -- Implement Individual Performance Plans for all employees which link staff responsibilities to Strategic Goals / Objectives
Aging-in-Place --Continue expansion and Improvement of Aging-in-Place initiative	-- Ensure more accountability between the transitions from one care level to another -- Validate costs by level of care and determine staff time usage in all levels --Staff levels of care in accordance with Center for Medicare Services (CMS) standards

The COO has set a course of action to effectively manage these challenges and ensure AFRH continues to provide stellar services for our Residents. Working closely with our DoD leadership, AFRH has made significant progress towards improving our Trust Fund Solvency.

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, MS 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, which are increasing to \$1/per month on July 1, 2015;
- Fines & 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, with an equitable increase on July 1, 2015;
- 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.

Our commitment to sound financial management and to upholding high standards of accountability and transparency in FY 2014 included several key accomplishments:

- Substantially exceeding the Small Business Administration's Government-wide goal to ensure small businesses get their fair share of work with the federal government by awarding over 35% of "eligible dollars" to small businesses.
- Continuing our record of no material weaknesses, significant control deficiencies, or nonconformance with the Federal Managers' Financial Integrity Act and other applicable laws and regulations.
- Continuing to implement key cost containment activities including the closing of our AFRH-Washington, DC Power Plant resulting in significant utility cost savings.
- Placing an emphasis on hiring additional healthcare employees to ensure AFRH efficiently adheres to the Center for Medicare Services recommendation of a 4.1 daily hour ratio for each Resident in our Memory Support and Long Term Care areas. Our major effort to contain costs for FY 2015 is to reduce contract staff and federal employee overtime in nursing to meet this standard.
- Ensuring the health and safety of our Residents while effectively weathering budget cuts and the FY 2014 Government furlough.

- Implementing our AFRH-W Master plan which not only reduces our footprint but will also provide additional revenue for the AFRH Trust Fund.

FY 2016 BUDGET REQUEST

The AFRH provides, through our two Campuses, residences and related services for retired and certain former enlisted, Limited Duty Officer and Warrant Officers of the Armed Forces. The AFRH FY 2016 Budget Request of \$64.3M covers Operations & Maintenance and Capital Improvements for both Campuses. The AFRH FY 2016 Budget Request is adequate to support our Residents while absorbing a key cost driver—increasing our health care staff and reduce our reliance on contract personnel and federal employee overtime. The FY 2016 Budget Request will allow AFRH to absorb rising healthcare costs (our largest cost driver) while continuing to provide our Residents the services and amenities they deserve while maintaining our two Campus facilities and grounds.

Our vision is to preserve our Trust Fund and continue providing exemplary financial management by:

- Ensuring full compliance with Federal regulations.
- Maintaining our stellar performance in financial metrics with a focus on maintaining our successes in debt collection, improper payments, interest payments, and compliance with requirements for EFT. AFRH's excellent record for the past 3 years showed only one improper payment. The one improper payment identified during FY 2014 was resolved, cause identified and additional training provided for invoice approvers.
- Securing Trust Fund solvency by working with our COO, DoD partners and Advisory Council to increase revenue.
- Operating responsibly under budget reductions to ensure quality services and care for our Residents.
- Updating the AFRH Long Range Financial plan to accurately forecast out year Trust Fund Balances with the revenue changes we are currently experiencing.
- Hiring additional nursing staff for both locations to reduce our dependency on contract staff and federal overtime.

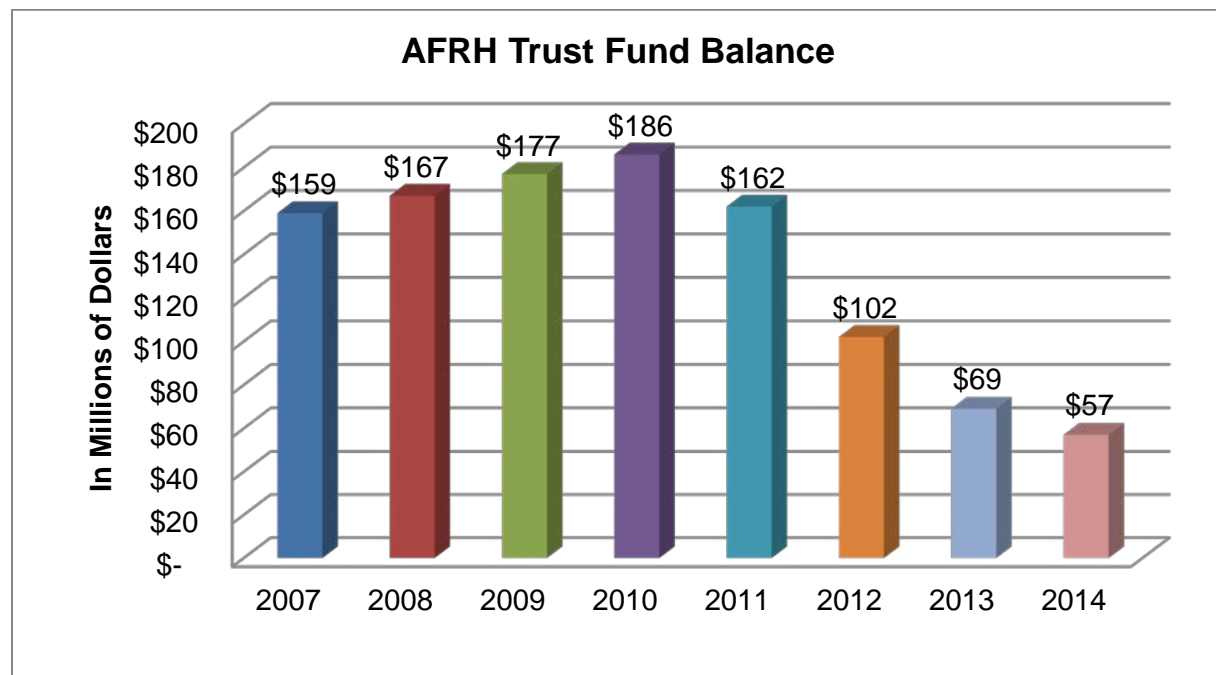
The FY 2016 Budget Request includes \$1 million for capital improvements for both campuses. Capital improvements projects include design to replace AFRH-W 70-90 year old water infrastructure, AFRH-W road and sidewalk replacement / repairs, AFRH-G Nursing Call System and continue our efforts to complete the AFRH-W Master Plan by leasing 77+ underutilized acres. 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 and AFRH is pleased to report with the assistance of DoD we have made several key positive steps to support the Trust Fund. 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.

AFRH's funding source is distinctive among Federal agencies. The 1991 Defense Authorization Act, Public Law 101-510, created an AFRH Trust Fund to finance the Gulfport and Washington Homes. The Trust Fund status is an integral part of the financial picture. With the fluctuations we are now facing in Fines and Forfeitures, we may be unable to maintain a balance of spending against income.

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. AFRH's Trust Fund balance reflects reduced revenue from an unexpected decline in AFRH's largest revenue stream—Fines and Forfeitures. AFRH is working closely with our DoD Leadership to address revenue concerns.



Since 2010, Fines and Forfeitures have fallen more than would be expected from normal variations or historical trends steadily declining from \$37.2M in 2010 to \$28.2M in 2014--a reduction of more than 24 percent. AFRH is seeking new revenue sources, proceeding with the lease of underutilized buildings / land, and continuing to contain operating costs.

To replace the reduced Fines & Forfeitures Revenue, AFRH, working with our DoD Leadership, is implementing a multi-tiered approach which includes:

- Increasing Active Duty Withholding from 50 cents to \$1 per month by June 30, 2015. DoD has had the authority to increase the monthly withholding paid by active duty enlisted, Warrant Officers and Limited Duty Officers since 1996. The active Duty Withholding has not increased since 1977 when it was permanently established at 50 cents / month. The active duty withholding change will increase revenue by approximately \$1.7M in FY 2015 and \$6.8M in FY 2016.

- Implementing an equitable increase of Resident Monthly Fees in both the percentage of income and maximum fee amounts. Resident Fees have not been adjusted since 2002 or kept pace with the rising cost of healthcare. Even with the proposed increase AFRH is still the best value for our veterans and offers services not available at other facilities. Increased Resident Fees will generate approximately \$.3M in FY 2015 and \$1.4M in FY 2016.
- Establishing our Pilot Independent Living level of care as a permanent level of care with a fee structure that recognizes the costs associated with this level of care. Our Independent Living program allows Residents with basic living needs while remaining in their Independent Living which is a savings for both the Resident and AFRH. Prior to the pilot programs Residents who needs assistance with basic needs had to be moved to Assisted Living with high nursing costs and pay a higher monthly Resident fee. Currently, AFRH has over 100 Residents in the Independent Living level of care with an approximate cost savings of \$10,000/annually per Resident.
- Auditing Active Duty Fines & Forfeitures transferred from DoD to AFRH. Since the significant reduction in this revenue source is unprecedented and unexplainable based on over 50 years of historic trends, this audit will assist in better out year projects for AFRH's largest revenue source.
- Implementing the AFRH-W Master Plan—AFRH has an approved Master Plan for 77+ acres of underutilized land in the southeast corner of the AFRH-W property. AFRH offered this area for a lease in 2008 but due to the downturn in the DC real estate market put the project on hold. AFRH working the GSA expected to release the request for proposal in FY 2015 Q2 and hopes to select a vendor by early FY 2016. Revenue from this lease is expected to begin in FY 2017.
- Leasing underutilized buildings and land—AFRH has identified several buildings, in addition to our Master Plan 77+ acres, which are underutilized due to our recent reductions in our footprint. AFRH has been actively working to offer these buildings for lease to not only generate additional income but also to reduce the operations and maintenance.

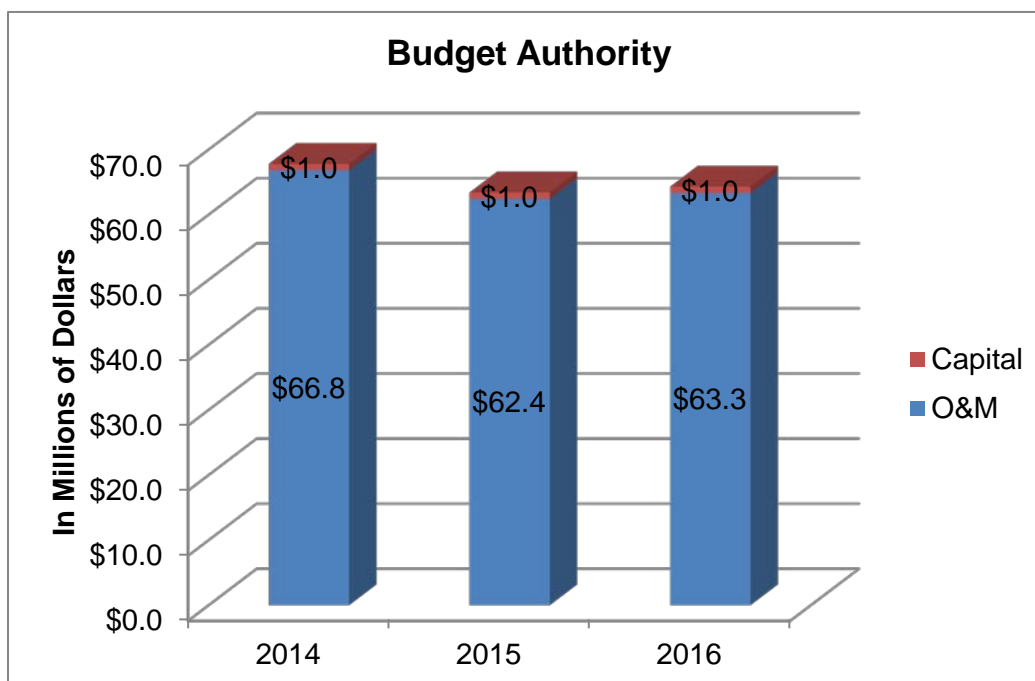
In addition to our efforts to increase revenue, AFRH continues to identify and implement cost containment activities keeping operations efficient while providing quality services and amenities to our Residents. Working our DoD leadership, we are confident the above actions will assist in increasing our Trust Fund balance and support our out year budget requests.

JUSTIFICATION HIGHLIGHTS

Appendix 1—Budget Authority

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

	FY 2014 Authorized	FY 2015 Enacted	FY 2016 Estimate	FY 2016- FY 2015 Increase or Decrease Amount
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
O & M BUDGET AUTHORITY	\$ 66,800	\$62,400	\$63,300	\$ 900
CAPITAL AUTHORITY: TRUST FUND	\$ 1,000	\$ 1,000	\$ 1,000	-
TOTAL BUDGET AUTHORITY TRUST FUND	\$ 67,800	\$63,400	\$64,300	\$ 900
TOTAL FULL-TIME EQUIVALENTS	275	336	336	-





Appendix 2—Capital Appropriation

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

<u>FY 2016 Capital Appropriation</u>		
AFRH-W Water & Sewage Lines Replacement	\$ 700	
General Infrastructure	\$ 200	
AFRH-W Master Plan	\$ 100	
Total		\$ 1,000
<u>FY 2015 Capital Appropriation</u>		
AFRH-W Water & Sewage Line Replacement	\$ 200	
General Infrastructure	\$ 300	
AFRH-W Master Plan	\$ 245	
AFRH-G Nurse Call System Upgrade	\$ 175	
IT Equipment Replacement	\$ 80	
Total		\$ 1,000
<u>FY 2014 Capital Appropriation</u>		
AFRH-W Mater Plan	\$ 675	
Accreditation Upgrades	\$ 325	
Total		\$ 1,000



Appendix 3—O&M Summary of Changes

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

FY 2016 O&M Request	\$63,300
FY 2015 O&M Enacted	<u>\$62,400</u>
Net Change	\$ 900

Changes		FY 2015		FY 2016	
		Base		Change from Base	
A.	Built-In:	Workyears (FTE)	Budget Authority	Workyears (FTE)	Budget Authority
1	Base payroll Costs	336	\$ 27,086	---	\$ 408
2	Non-Salary Costs				
	Travel/Leases		226		5
	Transportation		28		0
	Communications/Utilities		3,285		57
	Printing & Reproduction		46		1
	Other Services (Contracts)		28,265		406
	Supplies & Materials		3,426		22
	Equipment		38		1
	Total Non-Salary Costs		\$ 35,314		\$ 492
Total		336	\$ 62,400	---	\$ 900
NET INCREASE/(DECREASE)				---	\$ 900

Appendix 4--Total Budget by Object Class

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

		FY 2014 Actual Oblig/ Expenditures	FY 2015 Enacted	FY 2016 Estimate	FY 2016- FY 2015 Increase/ (Decrease)
11	*Personnel Compensation	17,022	20,214	20,512	298
12	*Personnel Benefits	5,260	6,066	6,162	96
13	Benefits, Former Personnel	694	806	820	14
21	Travel/Leasing	211	226	231	5
22	Transportation of Things	10	28	28	--
23	Communications & Utilities	3,330	3,285	3342	57
24	Printing & Reproduction	45	46	47	1
25	Other Services	26,148	28,265	28,671	406
26	Supplies & Materials	4,879	3,426	3,448	22
31	Equipment	49	38	39	1
32	Land & Structures (Capital Outlays	743	1,000	1,000	--
TOTAL BUDGETED		\$ 58,391	\$ 63,400	\$ 64,300	\$ 900
TOTAL FULL-TIME EQUIVALENTS		275	336	336	---

*Annual Physicians' Comparability included



Appendix 5-- Appropriations History

**ARMED FORCES RETIREMENT HOME
APPROPRIATIONS HISTORY FY 2006-2015
(\$ in Thousands)**

FISCAL YEAR		CONGRESSIONAL		APPROPRIATION		FINAL APPROPRIATION
		BUDGET JUSTIFICATION	AUTHORIZED	HOUSE ALLOWANCE	SENATE ALLOWANCE	
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
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



FISCAL YEAR	DESCRIPTION	CONGRESSIONAL BUDGET		APPROPRIATION		FINAL APPROPRIATION
		JUSTIFICATION	AUTHORIZED	HOUSE ALLOWANCE	SENATE ALLOWANCE	
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	62,400	62,400	62,400	62,400
	CO	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	Total	63,400	63,400	63,400	63,400	63,400
2016	O&M	63,300				
	CO	<u>1,000</u>				
	Total	64,300				

[NOTE: (**) 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.]

Appendix 6--Staffing History

**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
2006/1	25,754	299
2007	22,460	288
2008	24,043	283
2009	21,120	268
2010	21,589	252
2011/2	25,019	280
2012	23,876	278
2013	23,910	278
2014	22,976	275
2015***	27,086	336
2016	27,494	336

FOOTNOTES:

1/ The 206 significant FTE reduction was a result of Hurricane Katrina and the closure of the Gulfport Facility; only AFRH-Washington was operational.

2/ The 2011 FTE growth was the result of re-opening Gulfport facility and reshaping DC workforce.

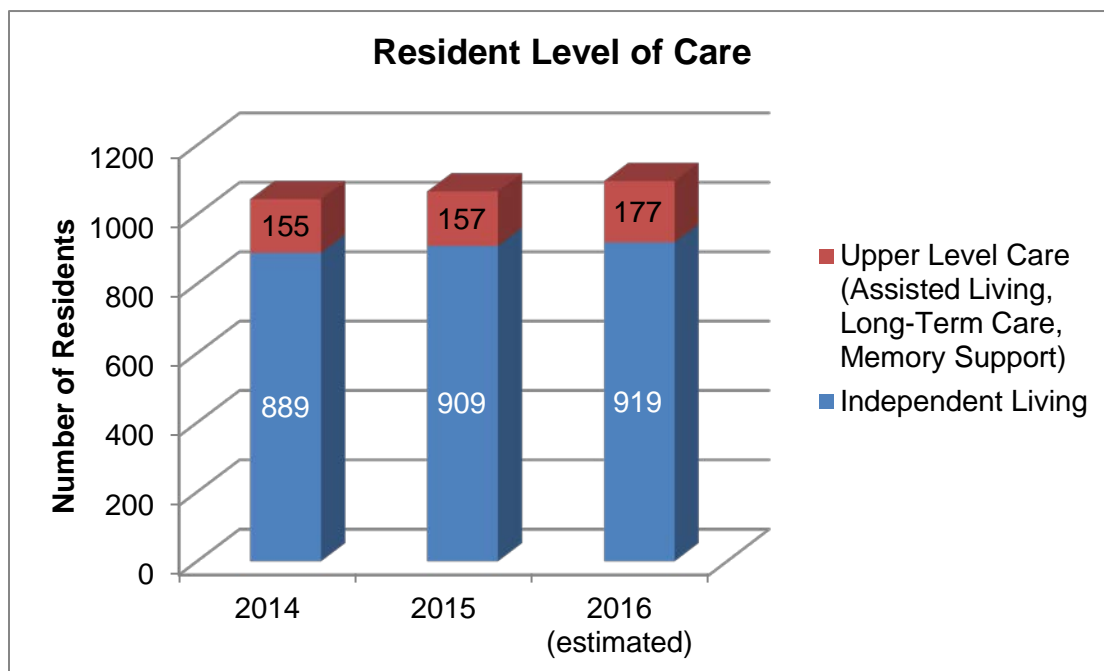
3/ The 2015 projected FTE growth is the result of increasing health care staff to efficiently meet the HHS recommended 4.1 hrs/day for upper-level care Residents by moving permanent health care positions from contractor to Federal employees and reducing mandatory federal employee overtime.

Appendix 7—Current/Projected Residents

**ARMED FORCES RETIREMENT HOME
CURRENT/PROJECTED RESIDENTS**

	<u>ACTUAL FY 2014</u>	<u>APPROPRIATED FY 2015</u>	<u>ESTIMATE FY 2016</u>
Domiciliary Care	889	909	919
Health Care	155	157	177
Total Residents	1,044	1,066	1,096
O&M	\$57,686,251	\$62,400,000	\$63,300,000
Capital Outlay	\$ 705,000	\$ 1,000,000	\$ 1,000,000
Total Budget	\$58,391,251	\$63,400,000	\$64,300,000
Operating Budget Per Resident	\$55,930	\$59,475	\$58,668

FY 2015 & 2016 increased operating cost per Resident is caused by increasing health care costs.



Appendix 8—Physicians Comparability Allowance

Physicians' Comparability Allowance (PCA) Worksheet
Department: Armed Forces Retirement Home

		PY 2014 (Actual)	CY 2015 (Estimates)	BY 2016* (Estimates)
1) Number of Physicians Receiving PCAs		2	1	1
2) Number of Physicians with One-Year PCA Agreements		0	0	0
3) Number of Physicians with Multi-Year PCA Agreements		2	1	1
4) Average Annual PCA Physician Pay (without PCA payment)		149,094	157,100	157,100
5) Average Annual PCA Payment		22,500	30,000	30,000
6) Number of Physicians Receiving PCAs by Category (non-add)	Category I Clinical Position	1	0	0
	Category II Research Position			
	Category III Occupational Health			
	Category IV-A Disability Evaluation			
	Category IV-B Health and Medical Admin.	1	1	1

*FY 2016 data will be approved during the FY 2017 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).

The agencies near the AFRH (VA and until very recently Walter Reed Army Medical Center) address pay issues through Title 38 market pay. The AFRH has used PCA but it is not as effective as it once was. We are transitioning to exercising Title 38 Authority. As a small agency, there are few physician positions where PCA is used.

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 AFRH is the only continuing care retirement community in the Federal government: most are in the private sector, and only a small percentage specifically serve veterans. The use of PCA at AFRH is no longer attracting the physicians we require.

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

N/A