



# ARMED FORCES RETIREMENT HOME Strategic Plan 2026-2030

MARCH 2026

## Agency Overview

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### Mission

To fulfill our Nation's commitment to its veterans by providing premier retirement communities with exceptional care and extensive services.

### Vision

Retirement communities committed to excellence, fostering independence, vitality and wellness for veteran populations, making vibrant places in which to live, work and thrive.

### Snapshot

The Armed Forces Retirement Home (AFRH) is an independent establishment in the Executive Branch of the Federal Government, the purpose of which is to provide residences and related services for certain eligible former members of the Armed Forces. Today's organization was formed by Congress in 1991 as the only continuing care retirement community (CCRC) operated by the Federal Government, however AFRH's mission began in the 19<sup>th</sup> century. The Armed Forces Retirement Home Act of 1991 merged two storied institutions under one corporate organization: the U.S. Soldier's and Airmen's Home in Washington, D.C. established in 1851, and the U.S. Naval Home in Gulfport, Mississippi, originally established in Philadelphia, Pennsylvania in 1834.

Currently AFRH can accommodate up to 1,100 veterans at its two locations. Residents of the Washington campus enjoy hilltop views of the capital city on 272 acres of rolling landscape while Gulfport residents enjoy a 40-acre waterfront location with direct beach access on the Mississippi Sound. Veterans eligible to become residents include those who spent the majority of their military service in enlisted, warrant officer, or limited duty officer ranks and separated from the military under honorable conditions. Other eligibility requirements as specified in law include a combination of service time, service-connected disability, and wartime service.<sup>1</sup> AFRH continues to evaluate eligibility requirements to better support the total enlisted military force, and recent changes in legislation expanded eligibility to accompanying spouses and retired members of the National Guard and Reserves.

Veterans enter AFRH in independent living with access to a continuum of care as their health needs increase: independent living plus, assisted living, long term care, and memory support. Residents are admitted regardless of their assets or income. Each resident pays a monthly fee determined annually based on a maximum amount for each level of care or a percentage of their gross income, whichever is less. AFRH delivers all-inclusive services, including a private room and bath, meals, on-site wellness clinic with primary medical and dental care as well as certain specialty providers, a wealth of physical and social activities, local transportation, and many other amenities. Most residents pay significantly less than it costs AFRH to provide these services.

### Funding

AFRH was established to be self-sustaining and is financed through the Armed Forces Retirement Home Trust Fund within the U.S. Treasury. Amounts in the trust fund are available solely for the operations of AFRH and expenses are subject to annual Congressional review and approval through the appropriations process. Unspent funds do not expire and remain in the trust fund for later approved use. The trust fund receives dedicated income sources to include resident fees, monthly active-duty payroll deductions,

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<sup>1</sup> Title 24, United States Code, section 413

disciplinary fines and forfeitures from active-duty personnel, investment income on trust fund balances, rental income from real property leases, and gifts and bequests.

In recent years, and on numerous occasions throughout its history, annual income from these sources was insufficient to cover the Home's annual expenditures, forcing withdrawals from trust fund balances and appropriated support from the general fund of the treasury in fiscal years since 2016. This occurred due to AFRH's largest revenue stream—fines and forfeitures—declining 46 percent between fiscal years 2009 and 2016; active duty withholding declining 7 percent following reductions in active-duty forces; trust fund interest income declining over 90 percent; and facility construction expenses. While the trust fund balance has been increasing in recent years, AFRH and its stakeholders must focus on generating additional revenue and find new ways to do business to create a sustainable path for the future of the Home and the mission it serves.

## Oversight and Organization

AFRH's oversight and organizational structure are unique in the Federal Government. The Armed Forces Retirement Home Act of 1991 as amended, codified in title 24 chapter 10 of the United States Code, identifies AFRH as an independent agency within the executive branch. The uniqueness arises from the legislation's stipulation that the Secretary of War oversee AFRH's leadership and administration and that the deputy director of the Defense Health Agency serve as senior medical advisor to advise the home on medical care and coordination of services with the War and Veterans Affairs Departments. In addition, all services to residents are accredited by nationally recognized civilian organizations including The Joint Commission (TJC) and the Commission for Accreditation of Rehabilitation Facilities (CARF). Financial, systems, and acquisition activities are subject to independent annual audit, as well as Government Accountability Office and Office of Management and Budget compliance requirements.

The Secretary of War's oversight responsibilities are delegated to the director of administration and management and the director of Washington Headquarters Services, and are exercised on a day-by-day basis by the AFRH chief executive officer (CEO), a Department of War executive. The CEO appoints key AFRH officials including the chief operating officer (COO), who serves as the AFRH agency head, as well as the administrator and ombudsman for each campus. The COO is responsible for the overall direction, operation, and management of the AFRH as provided in the AFRH Act of 1991 as amended and otherwise by law and regulation.

The AFRH agency headquarters are located in Washington, D.C. and consist of a small corporate staff to manage common agency functions and services. Each of the two campuses has an identical departmental structure and similar staff profile, as illustrated in the organizational chart below.

# Organizational Chart



## Vision 2040

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AFRH recognizes that leveraging our assets to best advance our mission is vital as we work to restore the trust fund's solvency and sustainability. The ability to invest in our facilities and programs continually, while maintaining our extensive historic property, is critical to AFRH's future. A long view is necessary, so AFRH is setting its sights on 2040 and beyond to address our aging infrastructure and accommodate shifting industry trends and generational life preferences. To that end, we believe the following elements should form the core of AFRH by 2040:

### Multigenerational communities of veterans

We pride ourselves on providing best-in-class care to our resident veterans. We believe the AFRH campuses of 2040 must be generationally diverse with a range of services and living environments attractive to veterans of all ages and abilities, consistent with today's all-volunteer military and modern retirement programs.

### Dynamic living environments

Many potential residents are deterred by the institutional look and feel of our facilities. This is not unique to AFRH, as private sector communities across the country have moved toward decentralized living units with the amenities of a campus or neighborhood setting. AFRH campuses offer a wealth of opportunity to experiment with new concepts and amenities, and we should leverage those opportunities to develop competitive offerings. Using leading asset management practices and standards-based data, AFRH will plan for facility improvements through creative land use, restoration of historic buildings, and new developmental ideas.

### Realizing the vision

- Design and build one to three mid-rise buildings, each adding approximately 125 new residential units, as well as 24 townhouses as approved in the Washington campus master plan
- Renovate Washington campus cottages for multiple units
- Expand Gulfport capacity by adding a new mid-rise apartment building, townhomes, or cottages
- Introduce new food service options and self-catered independent living units
- Establish partnership programs for education and career transition of servicemembers and veterans to AFRH residents and staff
- Continually refresh amenities and programs to remain relevant, attractive, and inclusive of veterans with a variety of abilities and interests

# Strategic Goals 2026-2030

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Strategic goals are a framework for thinking about problems, setting priorities, and making decisions. They help answer the question: Where are we going? Objectives map how we get there. These goals and objectives are agency-wide priorities for the next three calendar years. Corporate and campus divisions will craft business plans that further define and add to these priorities within the context of their individual missions. A strategic plan should not be a self-fulfilling prophecy, but rather a living framework that adapts to evolving circumstances. To that end, AFRH leadership will revisit the plan each year to take stock and revise goals and objectives as appropriate.

## Strategic Goal 1 – Quality Care First and Always

AFRH’s core mission is to provide exceptional, dignified, and sustainable care to enlisted veterans. This goal ensures that all operational, capital, and modernization efforts directly support resident well-being, financial stewardship, and long-term mission viability.

### Strategic Questions

- What needs are we filling?
- What adjustments do we need to make to better succeed?

### Goal 1 Objectives

#### 1.1 Achieve an occupancy rate of 90 percent or better

While AFRH is a unique organization with a focused mission, many of our services are comparable to private sector offerings therefore we must be attuned to competitive market dynamics. Empty rooms are a wasted opportunity to serve veterans in need, lost revenue, and a sunk cost to maintain unused facilities. If AFRH is providing a valuable in-demand service then all rooms should be full. If they are not, eligibility criteria may be too limited, or our offerings or outreach need to be improved. Sustained occupancy at or above 90 percent is essential to protecting the AFRH Trust Fund and maximizing return on federally funded capital investments.

#### *Initiatives*

##### 1.1.1 Broaden outreach to attract new residents

As shown in AFRH’s 2025 Performance and Accountability Report, currently 73 percent of residents are military retirees with over 20 years of service, while only 14 percent of current residents were eligible due to service-connected disability or warzone service. The average age of residents is 82 years and 83 percent are male. We anticipate these dynamics will shift given changes to the all-volunteer force and military retirement modernization, and increased reliance on reserve forces in more recent conflicts. In late 2018, Congress changed the law to allow AFRH to admit spouses with eligible residents, eliminate economic factors as a sole determinant for admission, and create a pathway to admission for veterans with mental health and substance abuse issues. In late 2020, Congress again broadened eligibility to retired members of the National Guard and Reserves and eliminated the minimum age 60 requirement for active duty retirees. With these eligibility expansions and additional operational and capital funding, AFRH is working aggressively to expand outreach efforts and attract new residents.

##### 1.1.2 Attract couples

The AFRH mission has been and will continue to be serving enlisted veterans when they need and want our services. Most veterans enter AFRH at advanced ages and health conditions after a spouse has passed away. In 2018, Congress allowed spouses to be admitted with their eligible veteran and we are already seeing benefits at our communities. AFRH developed an initial fee structure and policies which it continues

to test and revise, and will soon embark on a renovation at the Washington campus to enlarge and modernize rooms for all residents. Larger rooms and increased in-room amenities will attract couples who may not be ready to downsize dramatically when moving into AFRH.

### 1.1.3 Modernize residential facilities

Over 80 percent of AFRH-Washington residents live in the Sheridan Building, which was constructed in the 1960s with the last significant facelift completed in the early 1990s. Rooms are designed for single occupants and are 44% smaller than average rooms in the lowest quartile for retirement communities nationwide.

Average Unit Size of Continuing Care Retirement Communities Nationwide (in square feet)			
AFRH-W	Lower Quartile	Median	Upper Quartile
272	453	1,033	1,828

Source: Table 1.7, *The State of Seniors Housing, 2024*; American Seniors Housing Association

AFRH engaged an architecture and engineering firm to redesign the 75-room independent living floors of the Sheridan Building to modern standards and increase per-unit square footage by enclosing existing balconies to extend usable floor area. The proposed design would yield 50 rooms per floor averaging 561 square feet and ranging from 400 to 730 square feet, with capacity ranging from 50 single occupancy to 90 double occupancy to accommodate couples. The scope of work will include demolition and renovation, enclosure of the balconies, and modernized HVAC, mechanical, and electrical systems. Phased renovation while the building remains open and occupied is expected to take three to four years, with over one half of the building closing for the project’s first phase expected to begin late 2026. AFRH has signed an agreement with the General Services Administration to manage the project, which has contracted with a project management firm and is preparing to solicit for the construction contract. \$108 million has already been provided by Congress, and approvals obtained from the DC Historic Preservation Office, Commission on Fine Arts, and National Capital Planning Commission. This project, together with the roof and elevator replacement projects already completed, will fully address deferred maintenance for the Sheridan Building and provide a modernized facility attractive for current and future residents.

### 1.1.4 Modernize the admissions process through integrated application technology

AFRH has unique statutory eligibility requirements and a responsibility to ensure compliance while preparing new residents for a successful transition into our communities. Veterans applying to AFRH often present complex medical, financial, and service histories that require coordinated review across multiple departments. While recent process improvements have significantly reduced the admissions timeline, the next phase of advancement requires purposeful investment in secure, integrated application technology to modernize workflow management and eliminate unnecessary administrative burden. AFRH will implement digital solutions to:

- Transition from paper-based submissions to secure electronic application intake and document upload.
- Establish an internal case management and tracking system to improve visibility across departments.
- Automate eligibility routing, checklist verification, and status notifications.
- Reduce duplicative data entry and manual recordkeeping.
- Improve document retention, compliance tracking, and audit readiness.
- Provide applicants with secure status updates and communication tools.

These technology enhancements will improve internal coordination, reduce processing time and administrative costs, strengthen data integrity, and enhance the applicant experience. By leveraging modern digital tools, AFRH will ensure the admissions process remains efficient, transparent, compliant, and aligned with the agency's commitment to stewardship and operational excellence.

### 1.2 Modernize healthcare systems and revenue cycle infrastructure

Healthcare services represent over one-third of AFRH's annual expenditures. While residents are eligible for TRICARE, VA, Medicare, and Medicaid benefits, AFRH does not currently receive reimbursement for on-site services and lacks the structured documentation, coding, and billing infrastructure required to support third-party payment models.

Potential transition to the Federal Electronic Health Record presents an opportunity to standardize clinical workflows, improve documentation integrity, and establish the foundational components of a uniform business operations (UBO) program. A DOW-led Current State Assessment in 2025 identified significant gaps in AFRH's structured documentation, coding practices, revenue cycle staffing, interoperability, and workflow standardization that must be addressed to support long-term sustainability.

By modernizing healthcare systems and preparing revenue cycle capabilities, AFRH strengthens financial stewardship of the Trust Fund, enhances compliance and audit readiness, reduces operational inefficiencies, and ensures residents receive coordinated, high-quality care regardless of campus.

#### *Initiatives*

##### 1.2.1 Implement Federal Electronic Health Record and standardized clinical workflows

The potential transition to the Federal Electronic Health Record will replace fragmented legacy systems and reduce duplicative documentation across ambulatory and higher levels of care. Implementation will require workflow standardization between campuses, governance through an internal steering structure, structured documentation adoption, and robust change management. AFRH will prioritize interoperability, data integrity, and reduction of clinical risk associated with multiple non-integrated systems. Implementation will be phased to minimize operational disruption while improving care coordination and documentation consistency. Additionally, AFRH will establish an internal governance structure to oversee implementation, ensure cross-campus alignment, and manage change adoption.

##### 1.2.2 Establish a phased uniform business operations and revenue cycle capability

AFRH currently lacks structured coding, charge capture, patient accounting, and third-party billing functions. Implementation of revenue cycle functions will prioritize transparency, compliance with statutory authority, and protection of residents from inappropriate billing. To prepare for potential reimbursement authority and improve cost transparency, AFRH will establish a phased UBO capability. Initial efforts will focus on:

- Cost-of-care accounting
- Structured clinical documentation standards
- Evaluation and management (E/M) coding
- Charge description master development
- Revenue cycle analytics

Subsequent phases may expand to include patient accounting and third-party billing readiness should legislative authority be granted.

##### 1.2.3 Strengthen healthcare workforce structure and compliance readiness

Transitioning to a modern EHR and potential alignment with federal health benefit standards requires appropriate staffing models, credentialing rigor, and compliance oversight. AFRH will assess and realign healthcare staffing to support structured documentation, coding accuracy, audit readiness, and

accreditation requirements. AFRH will evaluate the need for dedicated coding, compliance, and patient accounting roles to address:

- Clinical documentation improvement
- Coding and compliance expertise
- Informatics leadership
- Revenue cycle competency
- Cross-campus workflow alignment

This initiative ensures AFRH maintains accreditation, supports quality outcomes, and remains competitive in recruiting and retaining qualified healthcare professionals.

#### 1.2.4 Enhance healthcare technology infrastructure and data governance

Modern healthcare delivery requires secure infrastructure, device integration, backend printing capability, and data governance controls consistent with federal cybersecurity standards. AFRH will assess infrastructure needs, including connectivity requirements for Federal EHR alignment. Efforts will focus on:

- Infrastructure modernization
- Secure device integration
- Structured data analytics capability
- Reduction of manual and paper-based processes
- Audit and compliance safeguards

These improvements will support operational efficiency, protect resident data, and position AFRH for sustainable healthcare delivery.

## Strategic Goal 2 – Stewardship at Our Core

AFRH's campuses are extraordinary national assets and the physical and financial foundation of our mission. As caretakers of historic property, trustees of a federal trust fund supported by service member contributions, and stewards of taxpayer resources, we must make disciplined decisions about where and how we invest limited funds. Decades of deferred maintenance, aging infrastructure, revenue volatility, procurement complexity, and constrained appropriations require AFRH to prioritize mission-critical assets while avoiding unnecessary investment in properties that do not directly support resident care, revenue stability, or long-term sustainability. Stewardship requires both preservation and restraint. This goal ensures that capital planning, redevelopment strategy, acquisition execution, and budget discipline are aligned with AFRH's core mission: delivering high-quality services in safe, modern, and financially sustainable environments while protecting the long-term solvency of the Trust Fund.

### Strategic Questions

- Are we investing first in the assets that directly support resident care and mission continuity?
- Where should we reinvest, and where should we not?
- How do we reduce financial, execution, and redevelopment risk within constrained resources?
- How do we preserve long-term options while making near-term disciplined decisions?

## Goal 2 Objectives

### 2.1 Prioritize mission-critical capital investment and real property strategy

AFRH manages 272 acres in Washington, D.C., and 40 acres in Gulfport, Mississippi, including historic structures, residential facilities, utilities infrastructure, and underutilized properties. While comprehensive asset accounting remains important, AFRH will apply a risk-based, mission-focused approach to capital investment. Facilities that directly support resident housing, healthcare delivery, life-safety systems, utilities continuity, and accreditation requirements will receive priority for condition assessment and capital planning. Properties that are underutilized, redevelopment-bound, or not aligned with long-term mission needs will be evaluated through a strategic lens and stabilized as appropriate, but will not receive major capital investment absent a viable mission-aligned use. AFRH will concentrate available capital resources on sustaining in-service assets, reducing deferred maintenance risk, and advancing projects that enhance occupancy, revenue stability, and resident experience.

#### *Initiatives*

##### 2.1.1 Execute and complete high-priority capital projects

AFRH will continue execution of previously identified life-safety and infrastructure projects, including electrical, water, sewer, HVAC, fire suppression, generator, and building envelope improvements across both campuses. Project execution will incorporate improved scoping practices, enhanced market research, and contingency planning to address challenges associated with aging infrastructure, inaccurate legacy drawings, archeological discoveries, inflationary pressures, and supply chain volatility. Sheridan Building modernization remains the highest capital priority due to its impact on occupancy, resident satisfaction, and long-term mission viability.

##### 2.1.2 Implement a risk-based asset management framework

Rather than undertaking a resource-intensive enterprise-wide re-inventory of all assets, AFRH will prioritize condition assessments and capital planning for mission-critical facilities. Capital planning will focus on:

- Life-safety and regulatory compliance
- Resident housing and healthcare infrastructure
- Utilities and campus continuity systems
- Revenue-generating assets

Properties that are underutilized, redevelopment-bound, or misaligned with long-term land use strategy will be reasonably stabilized but will not receive major capital investment absent a clearly defined, mission-aligned use case. This disciplined approach ensures scarce capital is directed to assets that preserve operational continuity and Trust Fund stability.

##### 2.1.3 Reassess the Washington development zone strategy

AFRH is reassessing the future of the approximately 80-acre development zone on the Washington campus, and has executed an access agreement to support a feasibility study by the District of Columbia National Guard regarding potential future use of portions of the site. No long-term commitments have been made, and the ultimate scope, footprint, and timing of any potential federal use remain uncertain. AFRH will evaluate redevelopment alternatives that:

- Support federal or mission-aligned uses where appropriate
- Preserve long-term land value and optionality
- Reduce speculative financial exposure
- Avoid unnecessary capital investment in structures not viable for reuse
- Maintain flexibility for potential future private or mixed-use development consistent with Vision 2040

This reassessment ensures that AFRH protects the Trust Fund, avoids premature assumptions, and maintains strategic flexibility as conditions evolve.

#### 2.1.4 Deprioritize non-mission-critical assets

Certain properties within the AFRH Zone, including large historic structures and underutilized facilities, present significant renovation costs without clear mission return. AFRH will prioritize stabilization and compliance with historic preservation requirements where mandated but will defer major capital investment unless supported by a financially viable and mission-aligned use. For example:

- Quarters 1 and 2 will receive required preservation investments.
- The Grant Building and other large underutilized facilities will be evaluated primarily through a mission and financial feasibility lens.
- Golf course and non-core amenities will not receive priority capital allocation absent partnership opportunities that directly support sustainability objectives.

This disciplined approach ensures limited capital resources remain focused on resident-serving infrastructure.

## 2.2 Strengthen budget discipline, acquisition execution, and administrative efficiency

AFRH operates in a constrained resource environment. At the same time, reactive decision-making and emergency expenditures create operational strain. AFRH will implement a structured, risk-based capital and budget framework that emphasizes prioritization, execution, and accountability.

### *Initiatives*

#### 2.2.1 Establish a tiered capital prioritization framework

AFRH will categorize capital projects into defined tiers:

- **Tier 1:** Life-safety and regulatory compliance
- **Tier 2:** Resident care and mission continuity
- **Tier 3:** Revenue protection or generation
- **Tier 4:** Strategic enhancement or redevelopment

Budget formulation will prioritize Tier 1 and Tier 2 requirements within anticipated topline constraints. Lower-tier projects will be advanced only when resources permit or external funding sources are identified. This approach replaces unfocused wish lists with disciplined decision-making aligned to risk and mission impact.

#### 2.2.2 Improve multi-year capital and operating forecasting

AFRH will align capital planning with realistic 3-to-5-year revenue and spending projections. Planning will identify decision points, sequencing options, and risk trade-offs within anticipated resource levels. Emergency reserve funding will continue to be maintained to address unforeseen infrastructure failures, natural disasters, and operational contingencies.

#### 2.2.3 Modernize acquisition and procurement capacity

As a small agency that outsources many services, AFRH depends heavily on efficient and compliant acquisition practices. Procurement complexity, small business participation requirements, interagency

servicing transitions, and vendor performance challenges have delayed project execution in recent years. In alignment with administration-wide reorganization efforts, AFRH is adding dedicated procurement specialists at headquarters and both campuses to strengthen acquisition planning, market analysis, contract oversight, and vendor accountability. AFRH will:

- Improve upfront project definition and scope development
- Enhance acquisition strategy planning before solicitation
- Strengthen vendor performance monitoring
- Reduce re-solicitation risk and schedule delays
- Improve coordination during servicing transitions

Strengthening in-house acquisition expertise will reduce execution risk, accelerate capital delivery, and protect Trust Fund resources.

#### 2.2.4 Continually evaluate interagency service agreements and administrative burden

AFRH relies on shared service providers for financial management, human resources, legal support, and information technology. AFRH is currently transitioning its shared service relationships and will continually assess cost, performance, and service quality. Where feasible, AFRH will streamline internal processes, update outdated policies, reduce duplicative controls, and clarify roles and accountability. Administrative efficiency efforts will focus on ensuring compliance without diverting resources away from resident-serving priorities.

## Strategic Goal 3 – Accountable, Mission-Focused Workforce

AFRH’s ability to deliver high-quality care and protect the Trust Fund depends on a disciplined, accountable, and mission-aligned workforce. As a small independent agency operating complex residential, healthcare, and infrastructure systems, AFRH must ensure every position directly supports statutory obligations, Presidential priorities, or essential operational requirements. In accordance with Executive Order 14356 and related Administration workforce reforms, AFRH will strengthen merit-based hiring, streamline management structures, improve performance accountability, and align staffing levels with measurable workload and mission demand. Workforce growth will occur only where supported by statutory mandate, accreditation requirements, safety considerations, or clearly defined operational need. This goal ensures that AFRH’s organizational structure, hiring decisions, leadership development, and performance management practices reinforce operational excellence, fiscal stewardship, and long-term sustainability.

### Strategic Questions

- Does every position directly support statutory or mission-critical functions?
- Are we structured for accountability, clarity of authority, and efficient execution?
- Are we hiring the right people with the right skills at the right levels?
- Are we holding supervisors and employees accountable for measurable performance?

### Goal 3 Objectives

#### 3.1 Align organizational structure with mission execution

AFRH has implemented and will continue refining a deliberate reorganization to reduce administrative layering, clarify reporting lines, and align staffing to frontline service delivery. Rather than anchoring to historical staffing models, AFRH will apply workload-based and standards-driven analysis to determine appropriate staffing levels. Staffing growth will be concentrated in statutory and mission-critical areas including healthcare, safety and security, campus operations, and acquisition oversight. Administrative

and supervisory roles will be streamlined where spans of control do not justify multiple layers. AFRH's Position Management Board, the agency's strategic hiring committee pursuant to Executive Order 14356, will ensure that all hiring actions reflect mission need, statutory obligation, and fiscal discipline.

### *Initiatives*

#### 3.1.1 Implement workload-based workforce planning

AFRH will continue applying bottom-up workload analysis to determine appropriate staffing levels across healthcare, security, facilities, procurement, and resident services. This methodology considers:

- 24/7 coverage requirements
- Accreditation standards (e.g., Joint Commission, CARF)
- Resident acuity and census trends
- Infrastructure complexity
- Contract oversight requirements

This approach ensures staffing reflects actual work demand rather than legacy organizational design.

#### 3.1.2 Continue management delayering and functional consolidation

AFRH will:

- Reduce redundant supervisory layers where spans of control are insufficient
- Consolidate duplicative administrative functions
- Standardize leadership structures across campuses
- Align operational support functions under clearer chains of accountability

Effective delayering strengthens execution, accelerates decision-making, and reduces administrative overhead without compromising oversight.

### 3.2 Strengthen merit-based hiring, recruitment, and retention

AFRH's workforce is primarily composed of direct-care professionals and frontline operational staff whose performance directly affects resident safety and quality of life. Recruiting and retaining qualified professionals in competitive labor markets, particularly in healthcare, facilities management, and acquisition, requires disciplined hiring processes and clear accountability. In accordance with EO 14356, AFRH will ensure that hiring actions prioritize mission-critical functions and are supported by structured, merit-based assessment processes.

### *Initiatives*

#### 3.2.1 Institutionalize skills-based structured hiring

AFRH will expand use of structured interviews and job-related competency assessments; ensure all postings include validated skills-based evaluation tools; maintain clear linkage between vacancy announcements and defined knowledge, skills, and abilities; and improve timeliness of hiring and onboarding processes. The goal is to reduce time-to-hire, improve candidate quality, and strengthen merit principles while maintaining compliance with OPM guidance.

#### 3.2.2 Target critical skill gaps

AFRH has identified key skill gaps in acquisition and contract management, facilities and infrastructure oversight, data-informed performance analysis, and healthcare documentation and compliance. Targeted hiring, cross-training, mentoring, and developmental assignments will close these gaps. The addition of procurement specialists at headquarters and both campuses reflect this strategy.

### 3.2.3 Improve retention through accountability and professional development

Retention strategies will focus on competitive compensation within applicable pay authorities, clear supervisory accountability, leadership development for high-performing employees, early-career pathways for entry-level professional roles, and structured onboarding and mentorship programs. AFRH will use performance data, exit trends, and supervisory evaluations to continuously refine retention strategies.

### 3.3 Strengthen performance management and accountability

A disciplined organization requires consistent performance expectations and corrective action when necessary. AFRH will reinforce supervisory responsibility for timely feedback, performance documentation, and appropriate use of probationary periods and performance improvement plans. Performance management will emphasize:

- Clear performance standards aligned to mission outcomes
- Consistent evaluation practices
- Timely intervention for underperformance
- Recognition of high performers

Supervisors will receive guidance and training to ensure performance management tools are applied consistently and fairly.

#### *Initiatives*

#### 3.3.1 Reinforce supervisor accountability for performance management

AFRH will require supervisors to conduct timely probationary reviews, document performance deficiencies promptly, utilize performance improvement plans when warranted, and apply corrective actions consistently. Leadership will monitor performance management metrics to ensure accountability tools are used appropriately and consistently.

#### 3.3.2 Standardize performance expectations across campuses

AFRH will align performance standards across similar roles at both campuses to ensure clear expectations tied to mission outcomes, consistent evaluation criteria, and transparent linkage between performance and awards or advancement. This reduces variability, strengthens fairness, and improves defensibility of personnel actions.

#### 3.3.3 Recognize and develop high performers

AFRH will increase transparency in award distribution, identify high-performing employees for leadership development, and expand developmental assignments where operationally feasible. Accountability includes both corrective action and recognition of high performance.

### 3.4 Modernize technology and business systems to support workforce efficiency

Technology modernization is not solely an IT initiative, but a workforce effectiveness initiative. Outdated systems increase administrative burden, reduce data visibility, and impede decision-making. Building on investments in healthcare system modernization and Technology Modernization Fund support, AFRH will prioritize technology initiatives that:

- Reduce manual workflows
- Improve financial and operational data transparency
- Strengthen cybersecurity protections
- Support procurement and contract oversight
- Enhance interoperability across campuses

Technology investments will focus on measurable productivity gains and risk reduction rather than expansion of administrative staffing.

### *Initiatives*

#### 3.4.1 Prioritize technology investments that reduce burdens

AFRH will evaluate technology investments based on measurable impact, including reduction in manual workflows, decrease in duplicative data entry and error risk, improved audit traceability, and improved decision-support analytics. Technology projects will be approved only where operational efficiency gains are clearly demonstrated.

#### 3.4.2 Strengthen data governance and performance visibility

AFRH will standardize data definitions across campuses, improve dashboard reporting for leadership, and integrate workforce, financial, and operational metrics where feasible. Improved visibility supports better staffing, budgeting, and risk decisions.

#### 3.4.3 Align technology modernization with workforce restructuring

As systems improve, AFRH will evaluate whether workflows can be consolidated, manual processes eliminated, and staffing growth avoided. Technology modernization will focus on preventing unnecessary administrative expansion.

## Summary List

Strategic Goal	Objective	Initiative
1.	Strategic Goal 1 – Quality Care First and Always	
1.1	Achieve an occupancy rate of 90 percent or better	
1.1.1	Broaden outreach to attract new residents	
1.1.2	Attract couples	
1.1.3	Modernize residential facilities	
1.1.4	Modernize the admissions process through integrated application technology	
1.2	Modernize healthcare systems and revenue cycle infrastructure	
1.2.1	Implement Federal Electronic Health Record and standardized clinical workflows	
1.2.2	Establish a phased uniform business operations and revenue cycle capability	
1.2.3	Strengthen healthcare workforce structure and compliance readiness	
1.2.4	Enhance healthcare technology infrastructure and data governance	
2.	Strategic Goal 2 – Stewardship at Our Core	
2.1	Prioritize mission-critical capital investment and real property strategy	
2.1.1	Execute and complete high-priority capital projects	
2.1.2	Implement a risk-based asset management framework	
2.1.3	Reassess the Washington development zone strategy	
2.1.4	Deprioritize non-mission-critical assets	
2.2	Strengthen budget discipline, acquisition execution, and administrative efficiency	
2.2.1	Establish a tiered capital prioritization framework	
2.2.2	Improve multi-year capital and operating forecasting	
2.2.3	Modernize acquisition and procurement capacity	
2.2.4	Continually evaluate interagency service agreements and administrative burden	
3.	Strategic Goal 3 – Accountable, Mission-Focused Workforce	
3.1	Align organizational structure with mission execution	
3.1.1	Implement workload-based workforce planning	
3.1.2	Continue management delayering and functional consolidation	
3.2	Strengthen merit-based hiring, recruitment, and retention	
3.2.1	Institutionalize skills-based structured hiring	
3.2.2	Target critical skill gaps	
3.2.3	Improve retention through accountability and professional development	
3.3	Strengthen performance management and accountability	
3.3.1	Reinforce supervisor accountability for performance management	
3.3.2	Standardize performance expectations across campuses	
3.3.3	Recognize and develop high performers	
3.4	Modernize technology and business systems to support workforce efficiency	
3.4.1	Prioritize technology investments that reduce burdens	
3.4.2	Strengthen data governance and performance visibility	
3.4.3	Align technology modernization with workforce restructuring	

## Key Metrics

These are key metrics AFRH management will use to measure progress toward our strategic goals and objectives, including baseline measures aligned to Department of War leadership and oversight changes in 2017, results from the most recent completed fiscal year 2025, and targets to reach by the end of this four-year plan in 2030.

Metric	2017 Baseline	2025 Result	2030 Target
<b>Core Metrics</b>			
Trust fund balance	\$50 million	\$123 million	\$135 million
Occupancy rate	76% (861/1133)	61% (696/1133) 84% (696/824)	66% (746/1133) 90% (746/824)
Revenue	\$46 million	\$55 million	\$64 million
Spending authority	\$64 million	\$80 million	\$83 million
Net property, equipment, and software	\$327 million	\$266 million	\$350 million
<b>Supporting Metrics</b>			
Lease revenue	\$0.6 million	\$3 million	\$4 million
Resident fee revenue	\$17 million	\$19 million	\$24 million
Military contributions revenue	\$7 million	\$7 million	\$7 million
Healthcare revenue and offsets	\$0	\$0	\$4 million
General funds for operations	\$22 million	\$31 million	\$29 million
Capital expenditure/depreciation	10%	-96%	100%
Net occupancy change	-41	3	27
Average age	83	82	78

### Notes on the Metrics

#### Trust fund balance

The \$50 million baseline is derived from the Fiscal Year 2017 Performance and Accountability Report balance sheet which we define as intragovernmental assets minus total liabilities. The balance at the end of FY 2025 was \$123 million, excluding the \$105 million in available balances from General Fund transfers designated for renovation of the Sheridan Building. We expect flat to slightly positive net operating income, however authorized capital expenditures on critical maintenance projects will draw on the trust fund balance as expenses are incurred. Our goal is to maintain the minimum balance of one year's total spending authority, both operating and capital.

#### Occupancy rate

The baseline occupancy was taken from the population of residents present just prior to fee structure changes announced in April 2018 and effected in 2019, as well as the coronavirus pandemic in 2020. Our goal is to increase occupancy to 90 percent or above, which our efforts to expand eligibility and marketing and improve the attractiveness of our facilities to potential residents are intended to achieve. During the Sheridan Building renovation, we estimate the short-term maximum number of available units will decline to a low-point of approximately 183 during the renovation. Therefore, total capacity will be temporarily reduced to 824 during that time. Once the renovation is complete, we estimate total unit count will be approximately 1,000 and total capacity 1,260. The difference between the 1,133 capacity shown here and

the 1,144 shown in the Performance and Accountability Report reflects rooms held for short-term visitor accommodations at the Gulfport campus.

### Revenue

Baseline revenue was \$46 million received in fiscal year 2017 from the following sources: fines and forfeitures, resident fees, active duty withholding, investment interest, leases, gifts and donations. Transfers from the General Fund of the Treasury are not included. The 2030 goal of \$64.0 million is a rounded assumption of the revenue goals as described in the supporting metrics.

### Spending authority

Spending authority is determined annually by the budget and appropriations process. In fiscal year 2017, spending authority was \$64.3 million, including \$63.3 million for operation and maintenance and \$1.0 million for construction and renovation. Our goal by fiscal year 2030 is to increase the authorized amount to \$83.0 million to support operational expenses of a return to full occupancy and additional capital investment to improve facilities and reduce our deferred maintenance backlog.

### Net property, equipment, and software

The baseline \$327,008,777 is found in Note 5 of the FY 2017 Performance and Accountability Report's Notes to the Financial Statements. The FY 2025 result of \$266,135,380 indicates continued erosion of asset value on a depreciation basis. While depreciation charges are an accounting estimate that do not affect actual cash in a given year, they are a hidden expense as assets erode through use and age if they are not sustained by capital expenditures to maintain and replace them. Underspending on capital will affect the long-term health of AFRH's physical assets and its ability to operate effectively and competitively. The Sheridan Building renovation planned to begin in 2026, as well as ongoing capital maintenance projects, will result in large increases to acquisition cost over the coming fiscal years as those investments are realized. With the initial \$108 million investment in the Sheridan Building renovation and continued execution of FY 2020-2026 combined \$57 million in capital maintenance authority, we expect net book value to exceed \$350 million in FY 2030 depending on project timelines and accounting realization.

### Lease revenue

In fiscal year 2017, AFRH earned \$566,000 from leases and sales. Lease revenue was approximately \$3 million in FY 2025, primarily from existing long-term agreements. By 2030, AFRH aims to increase lease revenue to at least \$4 million through inflationary escalators, optimization of existing assets, and disciplined evaluation of mission-aligned land use opportunities. Any large-scale redevelopment outcomes, including potential federal partnerships within the Washington development zone, are not assumed in this projection.

### Resident fee revenue

In fiscal year 2017, AFRH earned \$17 million in resident fee revenue. The FY 2025 result was \$19 million. The forward projections in the FY 2025 Performance and Accountability Report estimate resident fee revenue reaching approximately \$24 million by FY 2029. This growth reflects a combination of occupancy recovery, phased reopening of renovated residential capacity, and routine annual cost-of-living adjustments consistent with military retiree COLA trends. Long-term revenue growth will depend primarily on sustained occupancy levels and maintaining a fee structure that keeps pace with inflation while remaining affordable to residents.

### Military contributions revenue

Active-duty enlisted members have contributed directly from their pay to support the AFRH since its founding in the 1850s. Warrant officers began contributing in the 1910s and limited duty officers in 1990.

The contribution amount has been \$0.50 per member per month since 1977. In 1994, Congress authorized an increase of this mandatory contribution up to \$1.00, to be determined by the Secretary of War based on the financial needs of the AFRH. Numerous studies have recommended increasing the deduction, and doing so would double the current contributions from approximately \$7 million to \$14 million annually, a significant portion of the current annual shortfall. However, despite numerous attempts, the Department has not increased the contribution amount despite AFRH financial solvency challenges. It cites multiple concerns: (1) the AFRH's management and funding models; (2) the AFRH's limited capacity and geographic coverage compared to the overall population of servicemembers; and (3) directly taxing enlisted members—particularly those at lower ranks who are most burdened by cost of living while being least likely to eventually use the AFRH's services given that 82 percent of AFRH residents left the military ranked E-6 and above.

While these concerns are valid, the value of contributions has steadily eroded over time and affected the AFRH's ability to successfully execute its mission and remain financially solvent. Though military pay increased 68 percent in the 15 years from 2009 and 2026, the AFRH mandatory contribution has been level for almost fifty years, with \$0.50 in January 1977 having the same buying power as \$2.78 in January 2026.<sup>2</sup> Moreover, the mandatory contribution has not expanded to include the entire population now eligible for residence at AFRH, further exacerbating its solvency challenges and creating inequities among servicemembers. The National Defense Authorization Act for FY 2021 expanded eligibility to retired enlisted, warrant officer, and limited duty officer members of the National Guard and Reserve, but for procedural reasons did not extend the pay deduction to these components, which we estimate would add \$4 million per year to the trust fund at the \$0.50 level and \$8 million at \$1.00.

As an alternative to address these concerns, for FY 2025, DOW put forward a legislative proposal to grant the Secretary of War authority to direct transfers into the AFRH Trust Fund, based on financial need, from the unobligated balances in expired military personnel accounts. Using prior appropriations would be budget neutral, allowing DOW and AFRH to address solvency concerns while maintaining appropriate oversight and controls by DOW. It would also create a mechanism to ensure amounts keep pace with inflation, all while reducing the AFRH's reliance on direct Treasury General Fund transfers in accordance with congressional direction, as well as numerous DOW studies, working groups, and audits, for actions to improve AFRH financial sustainability. Congress has not acted on the proposal.

### Healthcare revenue and offsets

AFRH does not currently earn revenue or reimbursements from healthcare services provided to residents, although residents are broadly eligible for veterans health, military health, and Medicare benefits. By the end of 2030, we aim to earn \$4 million in revenue or reduce or offset our expenses, or a combination thereof. This amount was derived by assuming a 20% reimbursement of wellness center and clinical costs similar to TRICARE coverage.

### General funds for operations

Congress provided \$62 million in appropriated funds from the General Fund in fiscal year 2025 as reflected in the Fiscal Year 2025 Performance and Accountability Report statement of changes in net position, with \$31 million shown in the metric for the year reflecting a \$25 million General Fund transfer and \$6 million in One Big Beautiful Bill Act funding. The remaining \$31 million was a General Fund transfer for Sheridan Building renovations. We aim to request appropriated support for operations sufficient to balance projected revenue with spending authority requested. For FY 2026 \$27 million in General Fund support was appropriated, therefore we estimate requesting increasing the level to \$30 million by 2030.

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<sup>2</sup> <https://data.bls.gov/cgi-bin/cpicalc.pl> as of 3/2026

### Capital expenditure/depreciation

The FY 2025 Performance and Accountability Report reported a decrease of \$3.2 million in acquisition cost and a \$3.35 million increase in accumulated depreciation, resulting in a negative capital expenditure-to-depreciation ratio for the year. The decrease in acquisition cost reflects asset disposals, reclassifications, or limited capital investment relative to depreciation during the reporting period. While depreciation is an accounting measure and does not directly affect cash flow, sustained periods in which capital investment does not keep pace with asset depreciation result in erosion of net book value. AFRH's planned capital investments beginning in FY 2026, including the Sheridan Building renovation and prioritized infrastructure projects, are expected to reverse this trend and restore a capital investment ratio above 100 percent.

### Net occupancy change

The net change in resident occupancy from year to year can be found in the resident profile section of the Performance and Accountability Reports, and is affected by the number of admissions, discharges, and deaths which occur over the course of the year. The 2017 baseline of -41 is derived from the difference between 923 residents reported in the 2016 PAR and 882 residents reported in the 2017 PAR. AFRH will need to maintain a net positive 27 admissions per year to reach and maintain the stated occupancy goal of 90 percent or higher.

### Average age

The Fiscal Year 2017 Performance and Accountability Report resident profile reported an average age of 83 years. By 2027, we aim to reduce the average by 5 years to 78 through expanded eligibility and improvements in our facilities and services.

## Risk Factors

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AFRH operates in a complex statutory, financial, operational, and regulatory environment. Effective stewardship of the Trust Fund and delivery of high-quality care require active identification, assessment, and management of risks that could affect mission execution. AFRH leadership evaluates these risks through ongoing governance processes, financial oversight, workforce planning, and coordination with oversight partners. The following categories summarize principal enterprise risks that require continued monitoring and mitigation.

### Governance and leadership continuity

AFRH's statutory structure centralizes certain authorities in a limited number of senior officials, including the Chief Executive Officer, Chief Operating Officer, Deputy Chief Operating Officer, and campus Administrators. This governance model promotes accountability and clear lines of authority; however, it requires deliberate succession planning, delegation protocols, and cross-training to ensure continuity of operations. AFRH mitigates this risk through defined chains of command, documented delegations of authority, cross-functional leadership coordination, and ongoing workforce planning efforts.

### Workforce and talent management

AFRH depends on a skilled workforce to deliver healthcare, residential services, facilities management, and administrative oversight. A significant portion of the workforce operates in healthcare and direct-care environments, where competition for qualified personnel remains strong nationwide. Labor market pressures, demographic workforce trends, and regional competition could affect recruitment, retention, and overtime utilization. AFRH mitigates this risk through structured hiring practices, workforce planning, management layering, performance accountability, targeted skill-gap hiring, and continuous monitoring of staffing levels relative to resident acuity and operational demand.

#### Financial sustainability and revenue concentration

AFRH relies on a limited number of revenue sources, including resident fees, active-duty payroll deductions, fines and forfeitures, lease income, investment earnings, and appropriated transfers. Several of these revenue streams are subject to statutory constraints, macroeconomic conditions, and external policy decisions beyond AFRH's direct control. Variability in any major revenue source, including declines in fines and forfeitures, changes in military force structure, interest rate fluctuations, or delayed legislative action may affect long-term Trust Fund sustainability. AFRH mitigates this risk by:

- Maintaining minimum balance targets aligned to annual spending authority
- Pursuing occupancy growth and revenue diversification
- Aligning capital investment to realistic multi-year projections
- Engaging stakeholders regarding potential legislative or policy adjustments
- Maintaining disciplined expenditure controls

Financial sustainability remains a core strategic focus across all goals in this plan.

#### Occupancy, demographic, and market shifts

Occupancy rates directly affect revenue stability and long-term sustainability. Admissions and occupancy levels are influenced by external factors including demographic trends, veteran awareness of AFRH eligibility, macroeconomic conditions, evolving retirement preferences, and the competitive senior living market. Shifts in veteran demographics or expectations may require AFRH to adapt facilities, amenities, or service models. AFRH mitigates this risk through expanded outreach, eligibility adjustments where authorized, facility modernization (including the Sheridan renovation), and ongoing evaluation of market conditions and resident preferences.

#### Infrastructure, deferred maintenance, and capital execution

AFRH manages extensive and aging physical assets across two campuses. Deferred maintenance, aging utilities infrastructure, historic preservation requirements, and construction market volatility present execution risk for capital projects. Unexpected conditions, including inaccurate legacy documentation, supply chain disruptions, inflationary pressures, or archeological findings can affect cost and schedule performance. AFRH mitigates these risks through:

- Tiered capital prioritization
- Risk-based asset management
- Improved acquisition planning and market research
- Strengthened procurement oversight capacity
- Multi-year capital forecasting

Capital discipline is essential to preserving asset value and protecting resident safety.

#### Disasters and emergencies

Both campuses face exposure to natural and manmade hazards, including hurricanes, severe weather events, seismic activity, public health emergencies, and other disruptions. Such events may temporarily

affect occupancy, revenue, infrastructure, staffing, or service delivery. AFRH maintains emergency preparedness and continuity of operations plans, coordinates with local and federal partners, and evaluates facility resilience as part of capital planning. Lessons learned from prior hurricane, earthquake, and pandemic events inform ongoing preparedness efforts.

### Legislative, regulatory, and appropriations

AFRH operates under codified statutory authority and is subject to annual Congressional appropriations. Healthcare operations must maintain accreditation and comply with evolving regulatory standards. Changes in law, regulation, accreditation requirements, or appropriations levels may affect operations, staffing models, or financial performance. Continuing resolutions or lapsed appropriations may also create operational uncertainty. AFRH mitigates these risks through proactive engagement with oversight entities, compliance monitoring, legislative analysis, and prudent financial planning aligned with anticipated funding levels.

### Interagency dependency

As a small independent agency, AFRH relies on shared service providers and interagency agreements for financial management, acquisition servicing, human resources support, legal services, and certain information technology functions. Service changes, cost increases, performance variability, or transitions between providers may create operational complexity. AFRH mitigates this risk by:

- Strengthening internal acquisition and contract oversight capacity
- Evaluating shared service performance and cost-effectiveness
- Clarifying roles and service-level expectations
- Maintaining internal expertise sufficient to manage outsourced functions effectively

### Cybersecurity and technology

AFRH manages sensitive personally identifiable information and health data and depends heavily on information technology systems for clinical documentation, financial management, admissions processing, and operational oversight. Cybersecurity threats, system disruptions, data breaches, or failure to modernize outdated systems could affect operations, confidentiality, and resident trust. AFRH mitigates these risks through:

- Compliance with federal cybersecurity standards
- Investment in system modernization
- Data governance improvements
- Interoperability planning associated with healthcare modernization
- Ongoing monitoring and security controls

Technology modernization is closely linked to workforce efficiency and operational resilience.

### Legal and compliance

AFRH may be subject to administrative claims, employment-related matters, contractual disputes, or other legal proceedings in the normal course of operations. While such matters are inherent in operating a residential healthcare environment, they require careful oversight. AFRH mitigates legal risk through adherence to federal personnel law, procurement regulations, accreditation standards, and coordination with legal counsel and oversight authorities.

### Enterprise risk oversight

AFRH leadership recognizes that risk management is an ongoing governance responsibility. Strategic goals, capital planning, workforce management, financial oversight, and compliance monitoring are

designed to identify emerging risks and adjust course as necessary. This strategic plan will be revisited periodically to assess changing risk conditions and ensure that mitigation strategies remain aligned with mission execution, resident safety, and Trust Fund sustainability.

## Conclusion

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AFRH is a national treasure which exists to care for enlisted members of the military when they need support after hanging up their uniforms. This 2026-2030 plan builds on comprehensive initiatives which began in 2017 to lay the groundwork for success in the goals and objectives identified and will continue over the coming years. AFRH has built a strong leadership team. With support from the Department of War, we are building relationships with stakeholders to raise awareness of AFRH and its mission. We have worked with Congress to make legislative changes in line with our goals. We believe these goals are realistic and achievable steps toward long-term sustainability of AFRH for current and future generations of veterans. We will revisit this plan annually to measure our progress.