Curt is forever young. He lifts weights, rides bikes, runs daily and teaches “Flexibility & Strength Training” twice a week at AFRH. “I incorporate Yoga and Pilates into the class. We use cables, resistant bands and light barbells. I can see a big difference and some of the residents are really amazing.” Curt admitted that a few really struggled at first. And some still can’t get up from the matt, so they use raised, padded tables. “The class is 75 minutes and I spend 15 on balance. I see results when someone says, ‘I stumbled yesterday, but I didn’t fall. I caught myself.’ That’s HUGE!” he exclaimed. The Home airs his class on AFRH Channel 99 for those who prefer to train in their rooms. Curt says its very satisfying to see them progress. “Marie Townsend went from using a walker to a cane, and from a cane to nothing at all. She’s overjoyed and doing great,” he said. “You should see her now ... doing this Yoga pose called The Cobra.”

“This class has been wonderful for residents – physically and mentally.”

– Curt Young (Air Force)
INTRODUCTION

All year, the Home’s management has energized the staff to take initiative and do more. Establishing our four focus areas helped crystallize our vision and guide our collective efforts. To ensure that we continue to achieve our mission, we made sure that all four areas were directly tied to meeting our strategic goals, objectives and individual performance targets.

Yet, this is merely a natural progression of our past success. Since 2003, we’ve carved a solid record of strategic planning implementation. With our Strategic Plan as a guide, managers designed objectives and action plans to realize larger agency goals. Matching activities to strategic plans and measuring tangible results have yielded success year-after-year.

LEVERAGING GROWTH

Financial stability is integral to our survival. Since AFRH spends money out of its own Trust Fund, growing that Fund has been key to our revival. Yet, we must ensure that our recent financial victories do not falter. To remain at our current high point, we must be forward looking. We must continually survey the changing financial world we now live in – and make prudent decisions on how we manage our money. Moving forward, we will remain flexible and adjust our financial strategy as needed, based on evolving developments.

For now, we’ll continue to provide required services for the residents of tomorrow. Naturally, we’re spending money in the most critical areas – in wise and efficient ways. All the while, we will never forget that caring for residents and providing exceptional service is job one.

Driving Progress

Several residents enjoy fixing cars in the auto shop. Others change their oil in one of the four bays. But, Paul Harvey: he’s the rest of the story. “I’m very knowledgeable about auto repair. And I give residents a hand if they have trouble,” he said. “This white car belongs to Mike and we’re doing a complete restoration. It’s a 1963 Morgan with only 50,000 miles – and it’s worth about 60 Grand the way it sits now.” Then Mike injected: “I’ve had it since it was new. We took it apart to paint it. We put in a new engine liner. And pistons too,” he said deliberately. “This is therapy for me... I like having something to do.” he beamed.
**PERFORMANCE ACHIEVEMENTS**

In FY07, we baselined our performance measures by first isolating, then consolidating, key metrics. Then we made a commitment to integrate our agency performance with budget allocations. In our FY07 PAR, we identified the various costs associated with each strategic goal.

In FY08, we pioneered a new approach to energize the staff. We combined smaller activities into larger projects—so that employees could see “the big picture” and visualize their role in our success. Targets were created to boost achievement in four key “focus areas” that directly impact our bottom line. And we are now presenting results on the ensuing pages for the first time.

In FY09, our budget integration will be fully automated and this will be reflected in AFRH financial statements. In time, we’ll identify effective outcome measures, present the associated costs per strategic goal and continue to monitor progress.

**FOCUS 1 SUPPORTS THREE STRATEGIC GOALS:**

Rebuilding the Gulfport Facility is key to continued growth and revenue. To ensure smooth developments, we hired a Corporate Planner to implement future Gulfport relocation (and to manage the Scott Project).

Since May 06, the Planner has already created timelines, established requirements and coordinated many efforts. These accomplishments have helped us realize solid progress in three strategic goals:

- **Financial Growth:**
  - With Gulfport closed, we lost income and expenses from this 500+ resident facility. Yet, with careful management, AFRH continues to realize growth in the Trust Fund and plan cost-effective financial models for Gulfport’s reopening. Our savings measures will ensure financial growth and they include:
    - Staffing wisely to help support “aging in place”
    - Hiring appropriately (per the expected resident mix)
    - Creating valuable, performance-based contracts
    - Ensuring economic and environmental responsibility

- **Exceptional Service:**
  - The service standards we developed for Washington after a successful off-site will be presented to all staff we recruit for Gulfport. Likewise, we’ll tailor existing programs to the new facility, plus its organizational model will be the same.

- **Improved Processes:**
  - We decided that all AFRH communities must be equivalent in services. As such, our recent innovations in health, wellness and aging will transfer to Gulfport. So will our “aging in place” vision, which was molded by experts on floor plans, room layouts and activity spaces. Interestingly, Gulfport’s “Program of Requirements” is the basis of the Scott Project and its early conceptual ideas in Washington. This shared synergy is making AFRH even more vibrant, overall.

Our current staff will be in a position to educate new Gulfport employees, since they have health & wellness training. So, yet again, the Gulfport culture will be positively shaped by our success in Washington.

**Status**

On Schedule & Budget
Planned move-in: Late 2010

**Bill Williams (Air Force) is a very talented and devoted woodcarver of moose antlers, hillbilly displays and golf balls.**
FOCUS 2 REINFORCES THREE STRATEGIC GOALS:

All three resident buildings in Washington need modernization, to some degree. Scott, in particular, needs a major upgrade, since it hasn’t been updated in 23 years. So “The Scott Project” is underway to renew it. One obvious improvement we already finished was building a new landscaped walkway between Scott and its neighboring building, Sheridan. This, and future enhancements in The Scott Project, will positively impact three AFRH strategic goals:

> Financial Growth
> Exceptional Service
> Improved Processes

Trust Fund solvency is vital to daily operations. The Scott renewal stems from our Long Range Financial Plan (LRFP) – which was endorsed by Congress and is the key to forecasting our financial health through 2018.

The Home engaged experts in gerontology, engineering, finances, senior living and residential design to map out an integrated approach to renovation, development and finances. Meanwhile, Congress authorized a $76 million withdrawal from the Trust Fund to start making changes in Washington right after Gulfport’s reopening.

As part of our LRFP “resident profile,” we conducted a resident interest survey on all programs and activities to see which improvements were most desired. Of our 1065 residents, 382 responded (36%) in residential and assisted living. The results:

<table>
<thead>
<tr>
<th>MOST POPULAR ACTIVITIES</th>
<th>% ENGAGED</th>
<th>SUBSEQUENT IMPROVEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reading Books, News &amp; Magazines</td>
<td>77%</td>
<td>&gt; Sustaining the Library &amp; Media</td>
</tr>
<tr>
<td>2. Viewing Television Regularly</td>
<td>74%</td>
<td>&gt; Offering Quality TV Choices</td>
</tr>
<tr>
<td>3. Walking on One’s Own</td>
<td>62%</td>
<td>&gt; Maintaining the Grounds</td>
</tr>
<tr>
<td>4. Traveling to Malls &amp; Eating Out</td>
<td>61%</td>
<td>&gt; Keeping the Busses Rolling</td>
</tr>
<tr>
<td>5. Exercising, Health &amp; Wellness</td>
<td>57%</td>
<td>&gt; Improving Access to Wellness</td>
</tr>
<tr>
<td>6. Seeing Old &amp; New Movies</td>
<td>53%</td>
<td>&gt; Making the Theater Accessible</td>
</tr>
<tr>
<td>7. Visiting Residents (Rooms/Lobbies)</td>
<td>53%</td>
<td>&gt; Providing Space for Casual Visits</td>
</tr>
<tr>
<td>8. Using the Capitol Canteen</td>
<td>51%</td>
<td>&gt; Expanding Access to Drinks/Snacks</td>
</tr>
<tr>
<td>9. Listening to Music &amp; Performances</td>
<td>50%</td>
<td>&gt; Creating a Modern Performance Center</td>
</tr>
<tr>
<td>10. Meeting up with Personal Friends</td>
<td>50%</td>
<td>&gt; Creating Friendly Conversation Spaces</td>
</tr>
</tbody>
</table>

Our new healthy aging concepts are designed to prolong vitality. Enhancing our processes will result in stronger resident independence as they age. Yet, achieving this calls for a redirection of resources – including regular training, staff dedication and resident collaboration.

To aid new practices, we urge residents to get more involved in their own wellbeing. We encourage them to utilize the design features of their personal residences and common areas to bolster their abilities. And we encourage staff to promote more social behavior and physical activity. In the end, we expect fewer days in nursing care, greater physical ability and a “can do” attitude.

LRFP will be completed in FY09.
FOCUS 3 BOLSTERS FIVE STRATEGIC GOALS:

As discussed in the MD&A, Congress directed AFRH to earn CARF/CCAC Accreditation, which covers all aspects of resident service (not just healthcare like JCAHO). So, we drafted a key action under the exceptional service goal in our Corporate Business Plan to secure it.

CARF’s mission is to promote the quality, value and success of care through an intensive accreditation process. Organizationally, it reviews the environment (leadership and governance) and strategy (goals and processes). Operationally, it surveys financial planning, risk management, human resources, IT, health and safety and human rights. Practically, CARF’s globally recognized standards cover residential living, assisted living, adult day care, dementia care and nursing care.

Given CARF’s comprehensive standards and broader scope, we are confident this accreditation will improve all the diverse aspects of life at AFRH. Likewise, we strongly believe it will greatly accelerate all five of our agency strategic goals (as listed above right).

Since we had to operate under CARF standards for six months before the survey, we began preparations in FY07. Staff training was expanded and accelerated to ensure we’d meet published standards. Plus, policies and procedures were scrutinized to secure conformance.

On survey day, we had many factors in our favor. AFRH is unique in that it’s fully funded. Unlike most private senior-care homes, it has no debt. And, AFRH has advanced strategic execution, now in its fifth year.

Since we had to operate under CARF standards for six months before the survey, we began preparations in FY07. Staff training was expanded and accelerated to ensure we’d meet published standards. Plus, policies and procedures were scrutinized to secure conformance.

On survey day, we had many factors in our favor. AFRH is unique in that it’s fully funded. Unlike most private senior-care homes, it has no debt. And, AFRH has advanced strategic execution, now in its fifth year.

As expected, CARF found no major deficiencies, accreditation was achieved and it is valid through 2013. Since ongoing training and compliance is critical to maintaining it, DoD IG inspections will occur during CARF survey off years.

Victory:

Accreditation was achieved in record time. AFRH was cited for exemplary practices.
FOCUS 4 BOOSTS FIVE STRATEGIC GOALS:

We are aggressively converting our operations and workforce to a “health and wellness philosophy” of aging. We will achieve this through staff training, process improvement and culture change. This transformation is already boosting resident wellbeing – which in turn, is strengthening all five strategic goals:

Financial Growth

We are vigilant with the money our service members have invested in AFRH. This ensures that the Home will remain fiscally stable and rich in vitality. Plus we always look for more efficient ways to advance resident wellbeing.

Exceptional Service

Our customer service standard, “I SERVE,” is already creating better service throughout the Home, along with our Resident Covenant (see page 18). Ongoing training will ensure that all staff act, and react, to the residents in respectful ways.

Improved Processes

Our annual resident surveys help measure performance in recreation, dining, activities, service and more. The feedback helps us enhance processes and deliver better programs. Ultimately, that creates much greater resident wellbeing.

Learning & Growth

Ongoing training is vital to transforming our culture to “aging in place.” So, we are implementing health and wellness training plus I SERVE training to enhance the living environment. Ultimately, this will improve residents’ overall happiness and pleasure in life.

Culture of Integrity

Our new service standards were designed to boost integrity at AFRH. These standards will encourage staff to abide by ethical behavior and treat residents with well-deserved respect. This endeavor will certainly elevate the residents’ quality of life.

The ultimate goal of investing in vitality and livability is to promote longer stays in residential and assisted living – and to prevent and reduce stays in costly nursing care. Educating our staff and finding new ways to ensure vitality will help us achieve this.

In our FY08 planning, we developed a Resident Profile that includes, a) Interests in programs & activities and, b) a Vitality Planning tool to track needs on various levels of care. Also, more than 96% of our staff is now receiving health and wellness training in many dynamic courses. A few of these training courses are listed to the right.

Example Courses - Health & Wellness: % Trained in ’08:

- CPR for Healthcare Providers (American Heart Association) 100%
- Dementia Care Certification (Johns Hopkins) 85% (Nursing Staff)
- Conflict Resolution Skills (Department of Navy) 100% (Nursing)
- Customer Service (Director, AFRH-W) 95% (Healthcare)
- Competency in Diabetic Glucose Monitoring (Roche diagnostics AccuData Inform) 100% (Nursing Staff)
- Birth-Month Competency Training 90% (RN/LPN/CNA)
- Falls Prevention Program Training 100% (New Staff)
- Wound Care Program Training 90% (Current Staff)
- Monthly Mortality Conferences 100% (Healthcare)
- Monthly Guest Medical Grand Rounds 100% (Healthcare)

Status:

We deployed a Vitality Plan with results due in FY09. Resident Survey results appear on pages 64-65.

NOTE: CARF cited our staff as exemplary.
PART 2: PERFORMANCE

Solvency of AFRH Trust Fund

Goal: FINANCIAL GROWTH

Performance Measure

<table>
<thead>
<tr>
<th>PROGRESS PER GOAL</th>
<th>FY08 ACTUAL</th>
<th>FY08 MET 40%</th>
<th>FY07 MET 30%</th>
<th>NOT MET 14%</th>
<th>BASELINE TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net growth to AFRH Trust Fund</td>
<td>+ $8M (from $106M in FY07, to $114M in FY08)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>Any gain over previous year</td>
</tr>
<tr>
<td>Cost savings via Asset Management per year</td>
<td>Closing Ignatius &amp; King Halls yielded utility savings, but not the 200K baseline</td>
<td>NM</td>
<td>M</td>
<td>NM</td>
<td>200K</td>
</tr>
<tr>
<td>Accuracy of financial reporting</td>
<td>For the fourth straight year, AFRH earned an unqualified audit opinion</td>
<td>M</td>
<td>M</td>
<td>NM</td>
<td>Unqualified audit opinion</td>
</tr>
<tr>
<td>Solvency of AFRH Trust Fund</td>
<td>The Fund has an even balance of resources vs. obligations and is solvent</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>Even balance of resources vs. obligations</td>
</tr>
<tr>
<td>Effectiveness of the acquisition strategy</td>
<td>80% of contract award deadlines were met</td>
<td>M</td>
<td>N/A</td>
<td>M</td>
<td>% of award dates that are improved</td>
</tr>
<tr>
<td>% of inaccuracies found via internal controls</td>
<td>12% (Four erroneous payments out of 3411 EFTs)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>5% or less</td>
</tr>
</tbody>
</table>

Goal: EXCEPTIONAL SERVICE

| % of Resident Survey responses of “Excellent” or “Very Good” | 81% (recreation services) | M | M | M | 75% |
| # of new Independent Living residents | 154 | M | M | M | +144* |
| # of military heritage events per year | We celebrated all service branch birthdays. And residents participated in Arlington’s Wreath Laying on Veterans Day, the Night of Heroes gala, the Patriot Picnic at the Capital Yacht Club, the U.S. Military Fan Day at Joint Base Powell, the Congressional Golf & Crab Society, & Night at the USO, to name a few. | M | M | M | 8 |
| # of partnerships with external stakeholders | We partnered with the military & its liaisons, elementary schools, universities, engineering organizations (for operations), Army Corps of Engineers, NAVAD to Healthcare (via Catholic University), hospitals and health organizations. New VSO Partners include: - NSA (Non Commissioned Officer Association) - TREA (The Retired Enlisted Association) - CMDA (Chief Warrant & Warrant Officers Association, US Coast Guard) - Miitary Order of the Purple Heart, & - The Reserve Enlisted Association | M | M | M | 5 per year |
| % of employees trained in health & wellness | 96% of staff (722/283) got one or more sessions. Those with direct care responsibilities attended more frequently. New training: healthy eating to control cholesterol & drug education for residents on coumadin. | M | M | M | 70% |

PERFORMANCE MEASURES

Measuring Advances

NOTE: Baselines were set in '07, as only two years of performance can be reported. 5 Computerized Maintenance Management System

08 New Developments

> A spike in fuel and energy costs hit AFRH, especially in summer. Efficient budget cuts across the board have kept our budget balanced.

> Quarterly Red, White and Blue Luncheons with key Veteran Service Organizations (VSOs) have been well attended and received.

> Partnerships with external stakeholders are growing, as our Public Affairs staff met with the Retiree Council from each branch of military service.

> We installed financial codes into our accounting system, in order to integrate Budget and Performance for FY08.

> After we hired a CHCO, our Human Capital and Performance Management Plan has truly progressed. Review and approval is expected in early FY09.

> We made solid progress reviewing policies and directives to match our future direction. In all, 10 recently signed directives were approved and staffed. Another 10 are awaiting approval.

PART 2: PERFORMANCE

Cost savings via Asset Management per year

Net growth to AFRH Trust Fund

Accuracy of financial reporting

Solvency of AFRH Trust Fund

Cost savings initiatives

Effectiveness of the acquisition strategy

% of inaccuracies found via internal controls

Goal: IMPROVED PROCESSES

Performance Measure

<table>
<thead>
<tr>
<th>PERFORMANCE MEASURES</th>
<th>FY08 ACTUAL</th>
<th>FY08 MET 40%</th>
<th>FY07 MET 30%</th>
<th>NOT MET 14%</th>
<th>BASELINE TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATIONAL:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reengineered processes with automation</td>
<td>1. Work orders: CMMS was deployed for maintenance calls. It quickly improved response time/repairs &amp; removed a 250 request backlog. Current backlog: 2%. 2. Replaced 50 Legacy Desktop PCs with unsupported operating systems to stay within federal guidelines &amp; increase IT support. Next recycling: FY09.</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>+2</td>
</tr>
<tr>
<td>ORGANIZATIONAL:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication enhancements between employees &amp; residents</td>
<td>Emergency pull cords were conveniently located to implement our HomeFree wander alert / nurse call system. HomeFree offers added safety (it’s wireless &amp; runs on an independent network for instant care &amp; wanderer monitoring).</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>+1</td>
</tr>
</tbody>
</table>

Goal: LEARNING & GROWTH

Performance Measure

<table>
<thead>
<tr>
<th>GOAL: CULTURE OF INTEGRITY</th>
<th>FY08 ACTUAL</th>
<th>FY08 MET 40%</th>
<th>FY07 MET 30%</th>
<th>NOT MET 14%</th>
<th>BASELINE TARGETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evidence of measurable training goals</td>
<td>&lt; 100% in 4 mandatory classes. However, improved attendance in Ethics (91% vs. 71% in ’07) and Safety (91% vs. 60% in ’07).</td>
<td>NM</td>
<td>NM</td>
<td>M</td>
<td>100%</td>
</tr>
<tr>
<td>% of training written into the employee Performance Plans</td>
<td>Nearly 100% (mostly for CARF)</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>100%</td>
</tr>
<tr>
<td>Evidence of a needs based succession plan</td>
<td>We established a Deputy Chief Operations Officer (DCOO).</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>Plan</td>
</tr>
</tbody>
</table>

# of new cultural / volunteer programs

1. New monthly memorial services for deceased residents
2. Events scheduled for Christmas, Hanukkah & Kwanzaa
3. Military, service organizations & volunteers continue to increase, including:
   a) Army Management Staff College faculty held a Valentine’s Show for Assisted Living
   b) Volunteers spent Thanksgiving & Christmas in Independent Living and Long Term Care and
   c) Bethesda Medical Center active duty Navy made a monthly commitment to decorate Scott Dining Hall for monthly birthday nights

# of staff offsite activities

During FY08, two offsites were held: one for Corporate managers near AFRH and one for top level managers in both Corporate and AFRH-W at Airlie House, Warrenton, Virginia with the theme of “World Class Customer Service.”

% of completed employee performance reviews | 100% | M | M | +1 |

% of staff Climate Survey responses of “Excellent” or “Very Good” | 71% of responses were “Excellent” or “Very Good” (81% of staff participated). 80% responded positively in personal work experience, less in performance culture / job satisfaction. | M | M | M | 70% | 100% |
SURVEY RESULTS:

Each year, we conduct a host of surveys to poll resident satisfaction in many areas. For instance, our food service vendor conducted a dining service survey. And, for the LRFP, an expert on senior facility and program design has developed a resident interest survey. The results are as follows:

**Business Measures:**
- Increases in Trust Fund Balance
- Rises in Resident Occupancy
- Cost Savings via Initiatives
- Reductions in land & space
- Donations & Volunteering

**Customer Satisfaction:**
- Improved Survey Results
- Advances in Health & Wellness
- Enhancements to Facilities
- Updated Policies & Directives

**Employee Satisfaction:**
- Boost in Performance Evaluations
- Employee Climate Survey Results
- Updated Policies & Directives

**Financial Data:**
- Per the Chief Financial Officers Act, our financial status and reporting mechanisms underwent review by BPD and an external auditor.

**External Benchmarks:**
- AFRH requested a survey and achieved CARF/CCAC Accreditation.
- Per NDAA 08, an annual assessment by the AFRH Local Board of Advisors was implemented and a survey tool was developed.
- The first assessment will commence in FY09 and will be published in the FY09 PAR.

**Surveys:**
- Scott Dining Hall Customer Service: 85% said it was Excellent or Good.
- Food Quality: 72% graded it Excellent or Good.

**Most Used Facilities:**
- This input helps us create a residence Program of Requirements.

**Personal Pursuits:**
- The most popular activities are reading, TV watching and walking.

**Resident Services:**
- 81% say customer service is Outstanding or Above Average.

**Most Used Facilities:**
- This input helps us create a residence Program of Requirements.

**Surveys:**
- Scott Dining Hall Customer Service: 85% said it was Excellent or Good.
- Food Quality: 72% graded it Excellent or Good.

**Means of Verification & Validation:**
- Federal agencies are required to certify completeness and reliability of performance data. The data must be verified and validated, so AFRH has several means of external, independent reviews (e.g., JCAHO, OPM, BPD, CARF/CCAC).

**Surveying Happiness**