



AFRH Chief Operating Officer Fact Sheet No. 13 March 2, 2006

**Subject: Summary of Final
AFRH: Options for our Future
Special Post-Katrina Report to Congress, February 28, 2006**

The following is a summary of the information that was contained in the final report that was delivered to Congress on February 28, 2006:

Background

- Established in 1811 to care for "old and disabled" military
- Evolved over the last 150+ years
- Two campuses:
 - Gulfport, Mississippi
 - Washington, DC
- Headed by Chief Operating Officer (COO)
- Provides independent living, assisted living, and long term care

Armed Forces Retirement Home Today

- Recognized as effective, resident focused, and traditional
- Operates on one campus, AFRH-Washington since AFRH-Gulfport evacuated due to Hurricane Katrina damage
- Received 2 supplemental Katrina fundings
 - \$6 million for evacuation of AFRH-Gulfport residents
 - \$45 million for AFRH-Gulfport and \$20.8 million for AFRH-Washington

Alternatives

- Option #1: Renew/Incremental Funding
 - Cost: \$589.54 million
 - Rehabilitate and repopulate the currently damaged resident Tower at AFRH-Gulfport in phases over a 13 year period
 - Phase I = \$124.84 million
 - Phase II = \$ 38.24 million
 - Phase III = \$ 45.33 million
 - Phase IV = \$ 85.09 million
 - Phase V = \$117.73 million
 - Phase VI = \$178.31 million
 - PLUS
 - \$20.8 million (\$11.7 million capital outlay and \$9.1 million O&M) to refurbish and sustain AFRH-Washington for current residents.
- Option #2: Construct New/Full Funding

- Cost: \$383.8 million
 - Construct a new AFRH-Gulfport on the site
 - Demolish the existing building
 - Restores the full population to the AFRH- Gulfport in the shortest period of time
 - Minus \$19.7 million appropriated for the Blended Use Facility in Gulfport - already in the AFRH Trust Fund
 - Plus \$20.8 million (\$11.7 million capital outlay and \$9.1 million O&M) to refurbish and sustain AFRH-Washington for the current residents.
- Option #3: Align with Coastal Renewal Vision through Federal/DoD Initiative
 - Cost: \$85.5 million
 - \$45 million allocated to AFRH-Gulfport (for rehousing Gulfport residents)
 - plus the \$20.8 million (\$11.7 million capital outlay and \$9.1 million O&M) from the third Katrina supplemental
 - plus \$19.7 million already in the AFRH Trust Fund for the Blended Use Facility in Gulfport to refurbish and sustain AFRH-Washington for the residents.
 - + cost of Gulfport maintenance until property disposal
 - + cost of DoD study
 - Possibly turn the site into an Armed Forces Recreation Center to serve more military and their families
- Option #4: Reposition AFRH
 - Cost: \$85.5 million
 - \$45 million allocated to AFRH-Gulfport (for rehousing Gulfport residents)
 - plus the \$20.8 million (\$11.7 million capital outlay and \$9.1 million O&M) from the third Katrina supplemental
 - plus \$19.7 million already in the AFRH Trust Fund for the Blended Use Facility in Gulfport to refurbish and sustain AFRH-Washington for the residents.
 - + cost of Gulfport maintenance until property disposal
 - + cost of AFRH study
 - AFRH conducts a 12-18 month study to figure out how to transition to a non-governmental CCRC, most likely non-profit
 - Relieves DoD of oversight over a non mission critical activity
 - Maintain AFRH-Gulfport facility without residents until outcome of a study
- Option #5: Sell Gulfport Site
 - Cost: unknown but minimal
 - AFRH sells the AFRH-Gulfport land (47 acres) for fair market value
 - Allows AFRH to pursue Options 3 or 4
 - Ends maintenance cost for AFRH-Gulfport
 - Increases revenue into the AFRH Trust Fund
- Industry Experts:
 - AFRH has engaged many industry experts to advise and guide our organization as we evolve and move forward. This section provides background information about some of those experts.
 - Chris Black (Economics)
 - Ms. Black draws on more than 30 years of experience as a journalist to provide strategic communications counsel to clients. Her services include speech writing, ghost writing of opinion pieces, strategic media planning and media relations. Chris helps prep candidates for public office – and government officials for interviews, press conferences and speeches. In 2005, she provided communications counsel to the AFRH;

drafted a private family memoir for a corporate executive; helped publicize AMD's anti-trust suit against Intel; and prepared press materials for a candidate for the US Senate in Maryland, Lisa Van Susteren. Chris has covered six Presidential campaigns and wrote books on two of them. Her second book, "Pursuit of the Presidency" is a primer on the campaign process and narrates the inside story of the 1992 race.

- Coopers & Lybrand (AFRH Strategic Study 1995)
 - Coopers & Lybrand L.L.P. is one of the world's largest consulting and accounting firms. They are experts in healthcare consulting and economic analyses, with hands-on experience in all aspects of healthcare. The firm has great familiarity with the issues facing owners and operators of continuing care and nursing facilities. Their services at the time included market and financial analysis, development consulting, marketing and management consulting, reimbursement consulting, appraisal services, business and strategic planning, sale, acquisition, merger and liquidation services, turnaround and workout services, cost containment analyses and operational efficiency and productivity studies.
- Lorraine G. Hiatt, Ph.D., Planner, Environments for Aging, Planning, Research and Design for Aging (Options 1 and 2)
 - Dr. Hiatt consults on facility and program design for seniors. Her work involves space programming and staffing-design considerations for renovation and new construction. For 30 years, she has offered board and planning retreats, plus design input and review. Her national clients include 500+ members of the American Association of Homes and Services for the Aging (AAHSA). Her work has involved actually living in 36 retirement communities and collaborating with architectural firms. Her design projects were featured in The New York Times and Design for Aging, a bi-annual design competition of AAHSA and The American Institute of Architects (AIA). She has published more than 50 articles on retirement housing, Assisted Living, Nursing Care and more. In 1995, one project received a Peter Drucker award for outstanding contributions to healthcare management through design. Dr. Hiatt earned a Ph.D. in Environmental Psychology from CUNY and a BS and MS from Cornell.
- SFCS Inc. (Options 1 and 2)
 - SFCS provides professional services in architecture, engineering, planning and interior design – specializing in the design of senior living, education, healthcare, corporate and government facilities. Founded in 1920, this award-winning firm has client relationships in senior living that date back sixty years. Their vast design experience spans skilled nursing, memory support and complete continuing care retirement communities. Projects entail renovating existing campuses, plus supervising master planning and new construction. A staff of about 70 talented designers and technicians develop innovative, cost-effective designs for clients nationwide. They keep their skills current through membership in a wide variety of industry Associations. SFCS also has LEED® Accredited Professionals on staff.
- Third Age, Inc. (Retirement Trends)
 - Since 1971, Third Age, Inc. has served a variety of continuing care and Long Term care providers with an integrated range of consulting services. Third Age is one of the few consulting firms to exclusively serve providers of senior housing, healthcare and related services. This specialization distinguishes them from general consulting and accounting firms that serve a broad client base. Their vast experience

has enabled them to develop a unique sensitivity and understanding of the mission, goals and organizational needs of senior-care providers. The staff at Third Age is comprised of licensed nursing home administrators, healthcare planners, financial specialists, plus marketing and management professionals with broad experience in planning and development for senior housing.

- US General Services Administration (GSA)(Local Support)
 - The GSA provides valuable support to other Federal agencies – and in some cases, the general public. GSA is the government's "landlord," meeting office and other space requirements of the Federal workforce. It is also the premiere Federal acquisition and procurement force – offering equipment, supplies, telecommunications and integrated information technology solutions to customer agencies. About 13,000 employees in 11 regional offices extend GSA's outreach to Federal customers nationwide. Its mission is to "help Federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services and management policies." The agency is currently comprised of the Federal Technology Service (FTS), the Federal Supply Service (FSS), the Public Buildings Service (PBS) and various Staff Offices, including the Office of Government-wide Policy (OGP).
- More Partners in Progress
 - Beyond our dedicated residents and staff, we also house Partners who lease space from AFRH on our Washington campus. These Partners include the US Army Corps of Engineers, the Smithsonian Institution, the National Trust for Historic Preservation as well as the faculty, students and staff of the Tri-Community Charter School. We are pleased to share these historic grounds with our Partners and we thank them for their continued patronage to our Home.
- Conclusions:
 - No matter which option is chosen, a considerable amount of time will pass before AFRH is operating at peak efficiency again. Concentrating efforts on the Washington campus is critical to maintain the level of service while a transition plan is being formulated and carried out. The reputation of service and commitment must be maintained at or higher than the level that they are now.
 - If Options 1 or 2 are chosen, the path is very clearly laid out by the construction requirements. However, if Options 3, 4, or 5 are chosen, additional considerations need to be mentioned at this time.
 - Change must be accompanied by a well thought out plan. Options 3, 4, or 5 require a comprehensive study to determine how to proceed wisely.
 - After the study is completed, recommendations chosen, and an action plan developed, modification to the existing public laws will have to accompany the change in direction. If Gulfport is no longer the site for AFRH, the law must be changed to reflect that difference.
 - If additional sites are recommended for AFRH, consideration should be given to the changes in the needs of those it will service:
 - Locate several AFRH campuses throughout the country so residents can be near their families
 - Locate any AFRH near Veterans Administration Medical Centers in targeted growth areas for access to medical services
 - Locate any AFRH where veterans are retiring rather than requiring them to move

- Locate any AFRH near regional airports so family and friends can come to visit
- Vary the locations between urban, vacation areas, and small town
- Choosing either Options 3, 4, or 5 allows greater flexibility in operating AFRH in the most efficient and effective manner possible. Any of these choices could eliminate the \$.50 monthly military contribution, while still meeting the needs of former enlisted military. More importantly, all of these options will preserve our country's centuries-old Promise to care for its retired military personnel.

The decision as to which option will be selected, as well as the responsibility to fund the implementation of the selected option, now rests with Congress. We will use the "Communicator," the "Bulletin," Town Hall Meetings and Fact Sheets to keep residents, staffs, and interested parties up-to-date on issues surrounding this very important issue.

Two copies of this rather large report will be available to residents on a loan basis. Please contact Mr. Al Mori (AFRH-Washington Ombudsman) in Scott, Room 1010 to check out one of the copies.

TIMOTHY C. COX
Chief Operating Officer