



Armed Forces Retirement Home Summary of Performance and Financial Information

Common Bond



Exceptional Care



Fiscal Year 2015



TABLE OF CONTENTS

TABLE OF CONTENTS	2
OVERVIEW	2
AFRH ORGANIZATION	3
MISSION & VISION	3
GUIDING PRINCIPLES	3
ORGANIZATIONAL CHART	4
STRATEGIC GOALS / PERFORMANCE METRICS	5
GOAL 1: EMBRACE RESIDENT-CENTERED CARE	5
GOAL 2: MAINTAIN EXCEPTIONAL STEWARDSHIP	6
GOAL 3: PROMOTE STAFF-CENTERED ENVIRONMENTS	7
GOAL 4: LEVERAGE EXTERNAL STAKEHOLDERS	8
<i>Key Community Events</i>	8
MANAGEMENT CHALLENGES	9
SUMMARY OF FINANCIAL INFORMATION	10
TRUST FUND SOLVENCY	10
TRUST FUND REVENUE	10
TRUST FUND BALANCE	11
STATEMENT OF NET COST	12
FULL-TIME EQUIVALENT EMPLOYMENT LEVEL	12
ACRONYMNS	13

OVERVIEW

The Armed Forces Retirement Home (AFRH) is proud to present its Summary of Performance and Financial Information for Fiscal Year (FY) 2015. AFRH is a unique Federal Agency that it is classified as a Continuing Care Retirement Community. AFRH is with a corporate office that manages independent retirement communities.

AFRH is proud of its modern facilities and application of a Person-centered Care (PCC) philosophy in caring for our Residents. Employee surveys attest to AFRH employees sharing a deep, commitment to our Residents and mission. AFRH has two locations—Gulfport, MS (AFRH-G) and Washington, DC (AFRH-W). Each community has its own character reflecting the input of its Residents. Both facilities offer full services and a small house concept in upper levels of care. The small house concept contributes to AFRH’s person-centered vision by meeting individual Resident needs in a home-like setting.

A 2015 comprehensive accounting of AFRH Trust Funds has yielded steady results through our commitment to improve our business operations while containing costs. AFRH excelled in financial reporting and earned its 11th consecutive ‘unmodified’ audit opinion.



Due to the continued reduction in the largest revenue stream, Fines and Forfeitures, an uncontrollable revenue stream; AFRH was unable to support its FY 2017 budget request without assistance from the Department of Defense (DoD). DoD has proposed a legislative change to AFRH's current legislation which allows DoD to transfer up to \$22M to the AFRH Trust Fund to support operations for FY 2017 and out years. This legislation change was necessary to have adequate resources available to support FY 2017 outlays.

AFRH ORGANIZATION

Mission & Vision

Mission: To fulfill our Nation's commitment to its Veterans by providing a retirement community with exceptional residential care and extensive support services.

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

Guiding Principles

Person-centered –

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

Integrity –

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

Workforce growth –

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

Inspire excellence –

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

Accountability –

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

One vision / one mission / one organization –

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

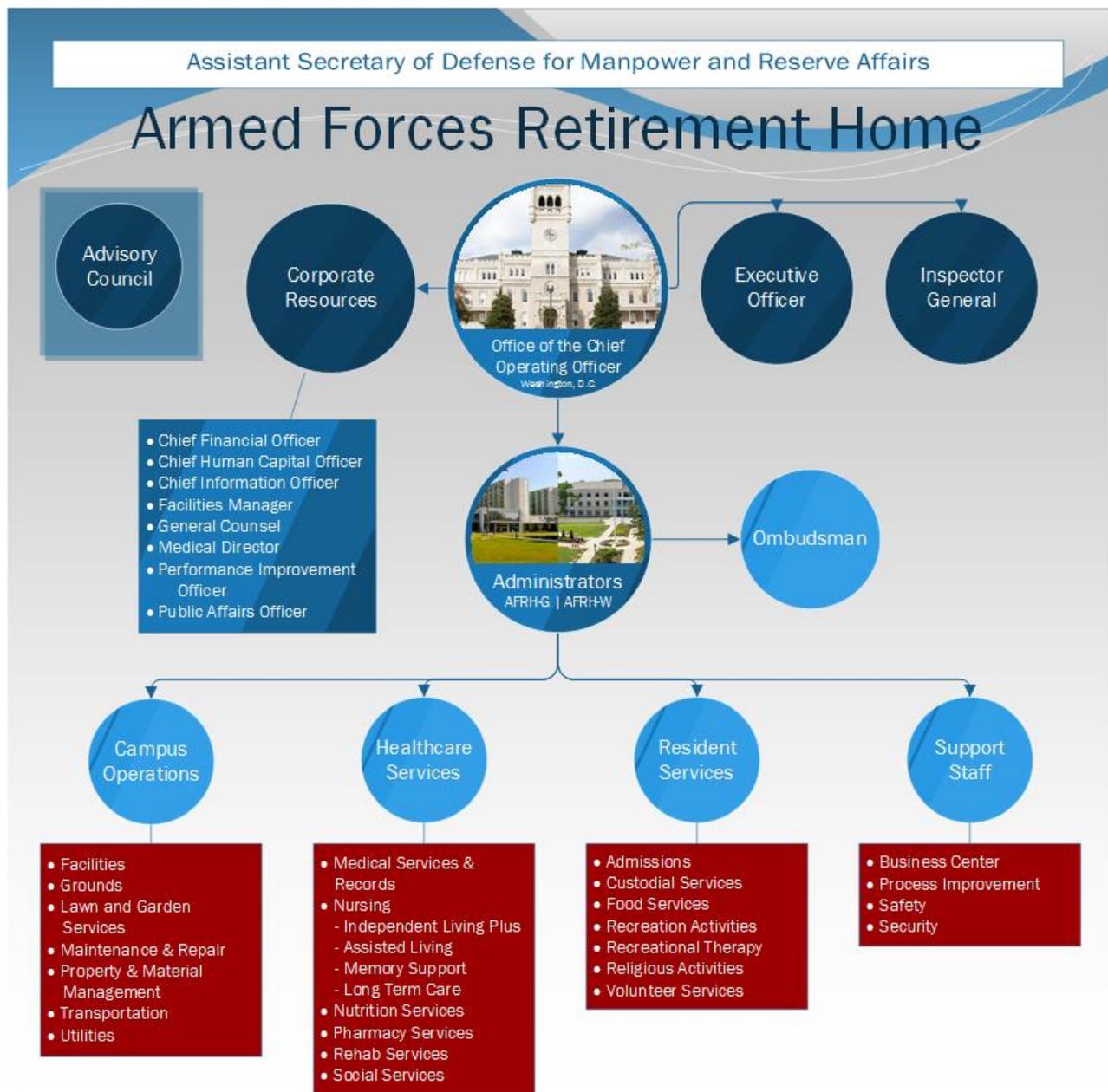
Honor heritage –

We honor the rich history of the U.S. Armed Forces —from our Veterans to our victories. As such, our campus reflects that military heritage with memorabilia and tributes.



Organizational Chart

The Armed Forces Retirement Home (AFRH) is an independent agency in the Executive branch. AFRH provides residences and related services for certain retired and former members of the Armed Forces (24 U.S. Code 10, Subchapter 411).





STRATEGIC GOALS / PERFORMANCE METRICS

AFRH is committed to creating an environment that fulfills the mission of the health and wellness philosophy of aging. Resident services and healthcare services are designed to promote aging-in-place. AFRH’s day-to-day operations and physical plant have been carefully designed according to Person-centered Care philosophy.

The Strategic Plan for FY 2013-2016, vision and mission ensure the organization is a high performing, efficient and caring residential community to serve the Nation’s Veterans who call AFRH home.

AFRH has established performance metrics for assessing program performance to achieve AFRH strategic goals and objectives. These performance metrics assist in identifying areas where additional management effort is needed in the coming year and recognizes successes. AFRH has 14 key performance metrics to assess four strategic goals.

AFRH Strategic Goals	Targets Met	Targets Unmet
Total	13	1

Goal 1: Embrace Resident-centered Care

GOAL 1: EMBRACE RESIDENT-CENTERED CARE			
Each person will understand each Resident’s individual needs and take realistic action to fulfill them within AFRH resources and capabilities.			
Net Cost (in millions):	\$41.0	Percentage of Total Cost:	79%
Objective 1	Enhance and increase communication with direct input from Residents and staff.		
Objective 2	Develop and offer comprehensive training for staff, and require parallel training for contractors and volunteers related to Resident-centered care – which is in turn tied to performance, competencies and accountability.		
Objective 3	Encourage activities for Residents’ Health and Wellness.		
Metric	Target	Met/Unmet	
Accreditation	Accreditation in Good Standing.	✓	
Resident Satisfaction	70% of Residents rate AFRH programs and services as “Excellent” or “Very Good” during the annual Resident survey.	✓	
Resident Health Assessments	95% of IL Residents offered Resident Assessments annually.	✓	



Goal 2: Maintain Exceptional Stewardship

GOAL 2: MAINTAIN EXCEPTIONAL STEWARDSHIP		
Pursue and implement innovative ways to deflect, reduce and manage costs by maximizing assets, resources and programs to fulfill needs and wishes of current / future Residents.		
Net Cost (in millions):	\$8.2	Percentage of Total Cost: 16%
Objective 4	Utilize outside resources to lower costs (Medicare, Tricare, Historic Preservation Society, grants and fundraising).	
Objective 5	Establish annual net revenue by 2013 and maintain “in the black” status.	
Objective 6	Establish metrics as a high priority to enhance financial objectives.	
Objective 7	Explore new revenue streams.	
Objective 8	Develop and deliver a Resident-centered vision for AFRH property and services.	
Objective 9	Optimize use of technology solutions.	
Objective 10	Maintain and improve operations.	
Metric	Target	Met/Unmet
Trust Fund Solvency	Even balance of resources versus obligations.	✓
Accuracy of Financial Reporting	Unmodified Audit Opinion.	✓
Environmental Initiatives	Annual goals met.	✓
Fund Growth	Positive result of Washington, D.C. Master Plan.	✗
Cost Avoidance	One (1) cost avoidance project implemented per year.	✓

Due to an unexpected decline in AFRH's largest revenue source, Fines and forfeitures, diminishing further in FY 2015, and the delay in releasing the D.C. Master Plan request for proposal to solicit developer concepts, the Trust Fund balance is lower than previously forecast and AFRH was unable to meet its performance metric of Trust Fund growth. Fines and forfeitures have decreased by 46% from \$41M in FY 2009 to \$23M in FY 2015 resulting in an aggregate revenue loss of over \$54M from FY 2010 through FY 2015. Initial FY 2016 Fines and forfeiture receipts indicate this reduction will continue in FY 2016 and is unlikely to recover in the foreseeable future. AFRH is diligently working with Congress, DoD Leadership, and the AFRH Advisory Board to find new sources of revenue to replace the large drop in Fines and forfeitures. In FY 2015, AFRH successfully implemented two key initiatives to increase revenue:

- A two-step (September 2015 and January 2016) fair and equitable Resident Fee increase which will provide approximately \$1.5M additional revenue annually.
- Leasing a portion of the Sherman Building to a D.C. charter school beginning on August 1, 2015 and providing approximately \$1M annually beginning in FY 2019.

Goal 3: Promote Staff-centered Environments

GOAL 3: PROMOTE STAFF-CENTERED ENVIRONMENTS		
Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.		
Net Cost (in millions):	\$1.6	Percentage of Total Cost: 3%
Objective 11	Educate staff on accreditation, inspection and regulatory standards (annually).	
Objective 12	Encourage responsible displays of individual initiative to achieve organizational Goals and staff accountability (daily).	
Objective 13	Link performance to results (semi-annually).	
Objective 14	Encourage activities that promote workforce growth beyond training.	
Objective 15	Demonstrate leadership in complying with Federally-mandated initiatives.	
Metric	Target	Met/Unmet
Evidence of Measurable Training Goals	80% staff participation in four mandatory training classes.	✓
Employee Viewpoint Survey	70% Employee Climate Survey responses of "Excellent" or "Very Good".	✓
Growth Beyond Work Activities	Seek and implement employee recommendations.	✓
Person-centered Care Initiatives	Two (2) successful initiatives completed.	✓



Goal 4: Leverage External Stakeholders

GOAL 4: LEVERAGE EXTERNAL STAKEHOLDERS			
Harness, cultivate and focus our external stakeholders to become increasingly active participants who are engaged in AFRH operations in each of the next five years.			
Net Cost (in millions):	\$1.3	Percentage of Total Cost:	2%
Objective 16	Explore and recommend Advisory Council membership to ensure diversity, local campus representation and functional guidance based on membership's expertise.		
Objective 17	Partner with High Profile Drivers to successfully effect recommended changes in law, policy, finance, healthcare and Resident initiatives that impact AFRH.		
Objective 18	Plus up opportunities to cross-flow information from our known and suspected silos.		
Metric	Target	Met/Unmet	
Partner Contributions	Increased partner contributions.	✓	
Annual Community Events	Two (2) community events held at each facility.	✓	

Key Community Events

AFRH-Gulfport

Veterans Day Open House: To honor Veterans who have served, and who are now serving, AFRH-G hosted a wreath-laying ceremony and open house. Enhancing this event were the Patriot Guard Motorcycles, Harley® Owners Group, Pensacola Motorcycles, Harrison County Sheriff's Helicopter Crew (who landed a helicopter on the front lawn of AFRH), Gulfport High School Band, U.S. Coast Guard, Gulfport Police & Fire Department, Biloxi Police Department, Army National Guard, Air National Guard and many others.

AFRH-G Mardi Gras Parade and Ball: The annual Mardi Gras celebration is always a high point for Gulfport Residents. "Laissez les bons temps rouler" is a Cajun expression meaning "Let the good times roll!" It strongly conveys the "joie de vivre" ("joy of living") attitude at AFRH-G. After celebrating "Fat Tuesday" the 2015 King and Queen were crowned. The Mardi Gras Ball followed the parade where Residents celebrated and danced the night away.

AFRH-Washington

AFRH-W Antique Car Show and Fall Fest: AFRH-W held its 56th Annual Antique Car Show and enhanced this established tradition with its first annual Fall Fest. In October 2014, AFRH-W partnered with the community and the military to provide tours of the grounds, art displays, a petting zoo and much more to entertain both Residents and our neighbors. The highlight of this year's event was a medical van from WRNMMC which provided a close-up look at the most advanced mobile emergency medical technology used in the military today.



Best Seat in D.C. for July 4th Fireworks: AFRH-W opened its Campus to neighbors, employees and their families and friends who gathered to celebrate Independence Day. The celebration included food, music, activities, dancing and, most importantly, a perfect view to watch the fireworks. The event was co-hosted by our partner, The Friends of the Soldiers Home (FOSH), to encourage Resident and neighbor interaction.

MANAGEMENT CHALLENGES

FY 2016 IG MANAGEMENT CHALLENGES	
The AFRH Inspector General considers the most serious management and performance challenges to be in the following areas:	
1) Electronic Resident Information System	AFRH will work to enhance its new Electronic health record system. Reports and forms must be streamlined and errors corrected. Security must be enhanced through training, the billing module enhanced, and mobile technology and secured Wi-Fi implemented.
2) Trust Fund: Dwindling Input & Decreasing Output	AFRH will work closely with our DoD leadership to identify new and explore new revenue streams and consider additional cost saving initiatives. The IG will continue to monitor progress on this challenge.
3) Personnel & Human Capital	AFRH will work to address its challenges in personnel and human capital including: making progress to reverse the downward trend in Employee Viewpoint Surveys, improve communication in leadership, and addressing staffing and scheduling concerns particularly in nursing.
4) Information Security	AFRH must work to improve the following areas to meet NIST Special Publication 800-53 standards: Access control, system access and authorization, audit and accountability, configuration management, contingency planning, identification and authentication, physical and environmental protection, maintenance, program management, risk assessment, system services and acquisition, system and communication protection, system and information integrity.
5) Property Management	AFRH will work to follow its 15-year plan to address Executive Order 13693 – Planning for Stability in the Next Decade, and address deferred maintenance. AFRH will also work to implement its plan to secure leases at its Washington campus as a revenue source.



SUMMARY OF FINANCIAL INFORMATION

AFRH is facing two challenges which could have significant impact in AFRH out-year Budget Requests and operations. AFRH is working with DoD leadership to resolve these issues and ensure AFRH can meet its mission to provide an affordable retirement community for our nation's Veterans.

Trust Fund Solvency

The solvency of the AFRH Trust Fund is the most crucial challenge AFRH is currently facing. AFRH's funding source is distinctive among Federal agencies. The 1991 Defense Authorization Act, Public Law 101-510, created an AFRH Trust Fund to finance the operations and maintenance of the Gulfport and Washington facilities. Trust Fund annual revenue and balance are integral parts of the AFRH financial picture and budget requests.

ASSETS:

FY 2015	FY 2014	Net changes:	% Change
395,864,312	\$414,565,769	(\$ 18,701,457)	-4.5%

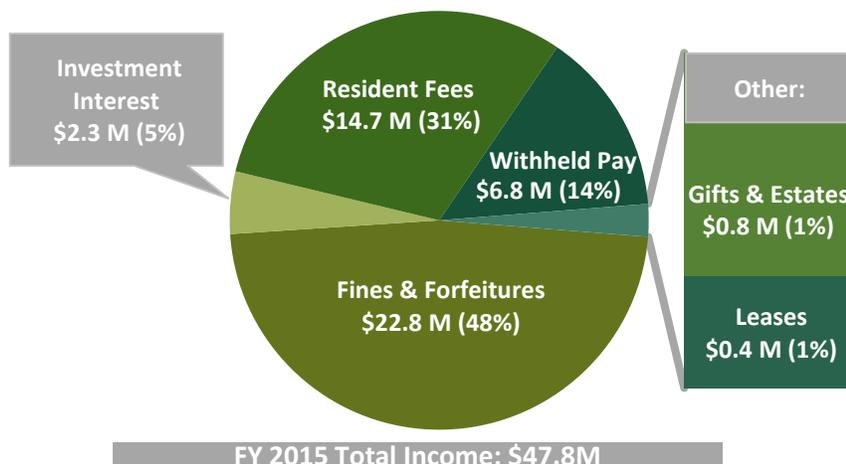
LIABILITIES:

FY 2015	FY 2014	Net changes:	% Change
16,103,245	\$16,246,164	(\$ 142,919)	-0.88%

Trust Fund Revenue

- Withheld Funds from active duty military personnel, each Warrant Officer and Enlisted person contributes a fee of fifty cents per month (six dollars per year);
- Fines and forfeitures charged to military personnel for misconduct in service, this revenue source typically provides more than half of the total revenue for the Trust Fund;
- Resident fees, with an equitable two phase increase that began September 1, 2015 and will complete January 1, 2016;
- Interest on the AFRH Trust Fund;
- Estates and gifts;
- Sale or Lease of property and other miscellaneous revenue.

FY 2015 REVENUE



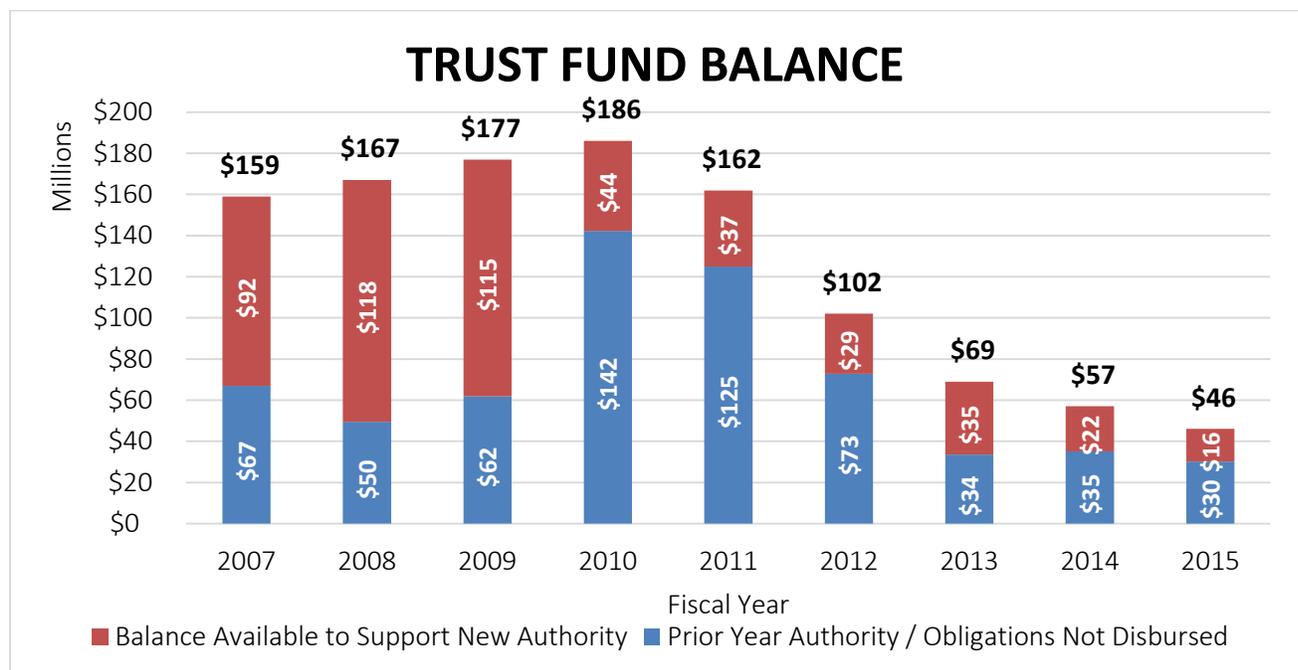
Trust Fund Balance

Unfortunately, the AFRH Trust Fund cash balance is at an all-time low and expected to continue decreasing in out-years. The Trust Fund cash balance decrease is caused by an unanticipated and uncontrollable reduction in AFRH’s largest revenue source, Fines and forfeiture. In FY 2009, Fines and Forfeitures provided 67% (\$41M) of AFRH’s total annual revenue (\$61M). In FY 2015, Fines and forfeitures provided only 48% (\$23M) of AFRH’s total annual revenue (\$48M). This reduction is well outside historical norms making it difficult to accurately predict out-year receipts from this revenue source. Initial FY 2016 receipts indicate this revenue source will continue to further decline.

Although AFRH management has substantially reduced operating costs in recent years, annual expenses exceed annual receipts due to reduced annual receipts from limited revenue sources. In FY 2015, estimated annual expenditures exceeded annual revenue by \$15M. Since FY 2010 when the decrease began, AFRH’s revenue has been reduced by an aggregate of more than \$54M. Through FY 2015, the Trust Fund has been able to absorb this significant loss of revenue but the available balance to support future budget requests has been depleted.

In the immediate future, AFRH, working with DoD leadership, will implement two additional key initiatives to assist in providing solvency for the Trust Fund:

- DoD is proposing a legislative change to AFRH’s current legislation to allow DoD to transfer funds to the AFRH Trust Fund (up to \$22M) beginning in FY 2017 and out-years if needed to keep the Trust Fund balance at acceptable levels to support operations.
- DoD will implement a top-to-bottom study of operations at AFRH, looking for efficiencies and ways to stream-line current operating cost





Statement of Net Cost

**ARMED FORCES RETIREMENT HOME
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)**

	2015	2014
Program Costs:		
Program: Embrace Resident-Centered Care		
Gross Costs	\$ 54,213,521	\$ 61,139,630
Less: Earned Revenue	(13,169,060)	(12,202,308)
Net Program Costs	\$ 41,044,461	\$ 48,937,322
Program: Maintain Exceptional Stewardship		
Gross Costs	\$ 10,778,050	\$ 12,155,012
Less: Earned Revenue	(2,618,107)	(2,425,909)
Net Program Costs	\$ 8,159,943	\$ 9,729,103
Program: Promote Staff-Centered Stewardship		
Gross Costs	\$ 2,111,590	\$ 2,381,358
Less: Earned Revenue	(512,928)	(475,274)
Net Program Costs	\$ 1,598,662	\$ 1,906,084
Program: Leverage External Stakeholders		
Gross Costs	\$ 1,678,267	\$ 1,892,676
Less: Earned Revenue	(407,669)	(377,742)
Net Program Costs	\$ 1,270,598	\$ 1,514,934
Net Cost of Operations	\$ 52,073,664	\$ 62,087,443

Full-time Equivalent Employment Level

STAFFING HISTORY (Dollars in Thousands)		
<u>FISCAL YEAR</u>	<u>SALARIES & BENEFITS</u>	<u>FTE's</u>
2014	22,976	275
2015	23,427	269
2016 (Estimated)	27,800	336
2017 (Estimated)	28,170	336



ACRONYMNS

Acronym	Definition
AFRH	Armed Forces Retirement Home
AFRH-G	Armed Forces Retirement Home-Gulfport
AFRH-W	Armed Forces Retirement Home-Washington
AL	Assisted Living
CY	Calendar Year
DoD	Department of Defense
FTE	Full Time Employees
FY	Fiscal Year
IG	Inspector General
IL	Independent Living
ILP	Independent Living Plus
LTC	Long Term Care
MS	Memory Support

