

ARMED FORCES RETIREMENT HOME

COMPLETE STATEMENT

OF

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Chief Operating Officer**

BEFORE

**THE SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS
AFFAIRS AND RELATED AGENCIES**

COMMITTEE ON APPROPRIATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

ON

ARMED FORCES RETIREMENT HOME

INTRODUCTION

Mr. Chairman, Members of the Committee, as the Chief Operating Officer of the Armed Forces Retirement Home, I thank you for inviting me here today to discuss the Armed Forces Retirement Home (AFRH). I also want to update you on our evolving progress to meet the needs of the next generation of eligible military veterans.

The 1991 Defense Authorization Act, Public Law 101-510, created an Armed Forces Retirement Home (AFRH) Trust Fund to finance the AFRH-Gulfport (AFRH-G) and the AFRH-Washington (AFRH-W) Homes. The Homes are financed by appropriations drawn from the Trust Fund. Today, as well as for nearly two centuries, the Armed Forces Retirement Home has been a haven for eligible military service members in retirement. Our Nation's leaders in the early years of our country pledged to support our aging military for risking their lives to preserve democracy. We continue to uphold this promise today.

In 2009 testimony, we highlighted how the AFRH was revitalizing a mammoth 19th century institution into a modern 21st century community. We noted this transformation was a direct result of our new perspective on aging. Today, progressive senior care includes services to help people maintain independence in their home of choice and continue to be active members of the

community. Over the past two years AFRH has been modernizing to promote an “aging in place” philosophy and to uphold the centuries old “Promise” to care for our heroes.

DISCUSSION

Since 2002, we have been transforming the AFRH, striving to reduce inefficiencies, enhancing operations, and meeting the needs of our current Residents. The AFRH management identified trends in retirement living that are now shaping our philosophy of Person-centered Care (PCC). In a PCC environment, the staff works hard to fulfill each Resident’s personal needs in a careful, supportive manner while developing a unique plan of care. This approach helps us deliver meaningful services that are tailored to each individual.

The AFRH has made great strides in PCC via renovations and new construction. After damage from Hurricane Katrina in 2005 our Gulfport facility was rebuilt to be energy efficient and more compatible to meet the needs of the next generation of eligible military veterans. Built with Federal emergency funds, Gulfport has been open now for 2 years. In Washington the Scott Project, funded by withdrawals from the Trust Fund, is nearing completion and similar to the Gulfport facility, the new Scott building is built for energy

efficiency and our aging population. Additionally, both facilities have adopted the 'small house' concept which allows our staff to provide individualized Person-centered Care to our Residents.

Multiple facilities on the Washington Campus suffered significant damage as a result of the August 2011 earthquake that was followed by a Category 1 hurricane four days later. The structural damage to the 150-year-old historic landmark, the Sherman Building, necessitated moving our business operations to rooms designated as Resident dormitories. Thanks to Congress and the President we have been restoring the historical Sherman Building and other facilities with the \$14.6 million payment from the General Fund to the Trust Fund. To date, all administrative functions have resumed operation in the Sherman Building and the dormitories have been vacated for new resident occupancy.

Even though AFRH has been faced with multiple challenges during our transitory years, our emphasis on Person-centered Care can be seen throughout our operations. Our AFRH Strategic Plan placed a strong emphasis on personalizing Resident care. We have not veered from this focus. All Resident activities and services now strive to embrace this philosophy. The AFRH Fiscal Year 2012 Performance and Accountability Report highlights how FY12 was a year of innovation and unique creativity for the Residents and staff. **MINDFUL**

CARE from our staff and volunteers is truly producing **MEANINGFUL LIVING** for the Residents.

AFRH BUDGET

The AFRH's operations budget and capital improvements utilize funds withdrawn from the AFRH Trust Fund and appropriated by Congress. For almost a decade, AFRH management has worked to strengthen the Trust Fund through cost reduction efforts. Our duty is to preserve the assets in the Trust Fund while taking withdrawals with great prudence.

FY 2012 was economically challenging for many businesses and Federal Agencies. AFRH's continuity of operations requires strong fiscal management. Of late, operating costs have exceeded sixty million dollars every year—and continue to increase yearly due to inflation. We aim to contain costs through our Key Strategic Performance Goal; which revolves around maintaining exceptional stewardship. We are expecting the facility upgrades in Washington to yield far-reaching economies, efficiencies, and gains similar to what we have already witnessed by the new facility at Gulfport.

AFRH is in the last part of the transition years (2010 - 2013) as we establish and expand operations in Gulfport and effectively transition to a reduced footprint in Washington. Many of the infrastructure and new facility

changes occurring at AFRH will have a positive, direct impact on the solvency of the Trust Fund. Although negative growth occurred in 2011 and 2012 as we expensed the Scott Project, we stayed on course with our growth predictions. By the end of the transition period, we expect positive growth. Also as part of our master planning, DOD, Arlington National Cemetery (ANC) and AFRH are studying possible Trust Fund revenues from ANC's use of surplus buildings and land at the Washington Campus.

The Scott Project will generate savings in all major cost drivers to include:

- Consolidate dining services so that only one dining facility is operational
- Reduction in subsistence costs
- Reduce nurse staffing
- Lower utility costs
- Lessen facility maintenance requirements
- Decrease in custodial requirement
- Streamline Campus operations so that on-campus transportation is no longer required

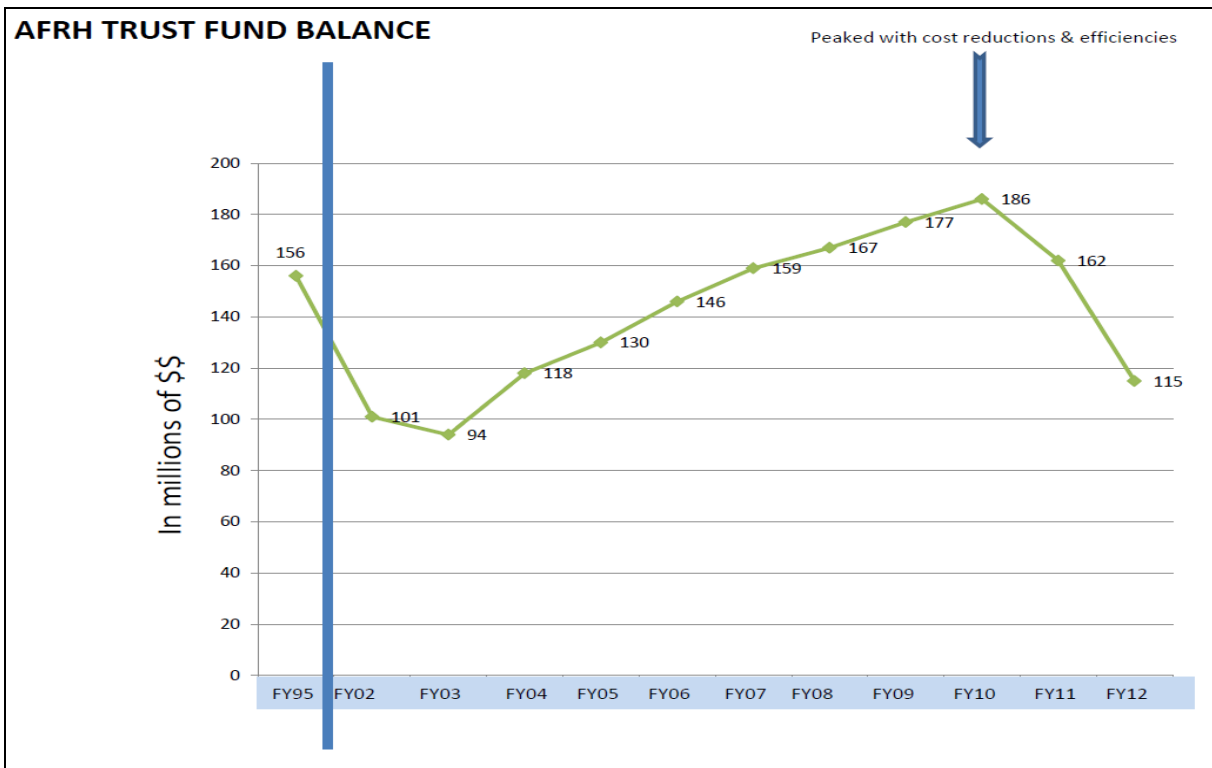
The Scott Project also accomplishes the following:

- Closes the LaGarde Facility
- Relocates all Assisted Living, Memory Support, and Long-Term Care from the LaGarde facility
- Reduces square footage by approximately 48% or 421,050 square feet
- Postures AFRH Operations for positive Trust Fund Growth
- Creates similar capacity and service capabilities between AFRH-G and AFRH-W

TRUST FUND BALANCE

In 2003, operating costs greatly increased over previous years - eventually outpacing our revenue. The Trust Fund balance declined from \$156 million in 1995 to \$94 million in 2003. Renewing a healthy balance became a critical mandate to retain the Home's solvency. So, we concluded that our operating model had to change. We followed the Federal Government's lead by implementing an integrated strategy - linking planning with budget and performance. From 2003 - 2010, we aggressively developed a disciplined strategic plan that netted many gains. The result: the Trust Fund balance grew substantially to \$186 million by the end of FY 2010.

In FY 2011, the AFRH expended funds as a strategic investment in future generations of Residents via the Scott Project. This reduced the Trust Fund balance to \$115 million by the end of FY 2012 as reflected in the chart below. Our economic analysis, as reported in the AFRH Long-Range Financial Plan, tested possible scenarios. The analysis states that the Trust Fund will remain solvent and its balance will increase to former levels again.



The Trust Fund Balance has been steadily increasing since 2003 but has decreased due to the Scott Project.

CONCLUSION

Two hundred years ago America's leaders made a promise to care for its aging Veterans. Today that tradition endures with a focus on greater independence for our Residents which we confidently believe aligns with the vision of our forefathers. With this, I respectfully ask the Subcommittee's favorable consideration of our operational budget.

Mr. Chairman, this concludes my testimony. I will be pleased to respond to questions from the Subcommittee.