Statement of Stephen T. Rippe, Major General (Retired), U.S. Army
Chief Executive Officer, Armed Forces Retirement Home

Before the U.S. House of Representatives Committee on Appropriations
Subcommittee on Military Construction, Veterans Affairs, and Related Agencies

May 5, 2021

Madam Chair and members of the Subcommittee, thank you for the invitation to testify in support of the Armed Forces Retirement Home (AFRH). I am honored to lead the organization on behalf of the Secretary of Defense as we have navigated through the COVID-19 pandemic and continue working to enhance our vibrant communities for enlisted veterans and sustain them for future generations.

Background

AFRH is an unusual Federal agency. We are independent, but overseen by the Department of Defense (DoD). We are intended to be self-funded, but for several years have relied on taxpayer funding to support our operations. We are the only Federally-owned retirement home, but function mostly like a private sector retirement community does. We serve our residents regardless of their ability to pay for the services they receive. Those services, especially in our upper levels of care, are among the very best our Nation has to offer.

We have a unique fee model, mandated by law, whereby a resident pays either a percentage of their monthly gross income, or a maximum fee, whichever is less. Residents must enter the independent living level of care, and for 2021 the fee is either 47 percent of gross income, or $2,050 per month, again whichever is less. Residents receive private rooms and bathrooms, all meals, activities, and medical care, and have access to upper levels of care when they need them including independent living plus which provides some help with daily needs, assisted living, long-term care, and memory support.

AFRH has two locations: our historic 272-acre campus in Washington, D.C., perhaps most widely known because President Abraham Lincoln lived part-time in a cottage on the grounds during his presidency, and a 40-acre campus in Gulfport, Mississippi, across the street from the Gulf of Mexico. Both are remarkable facilities and once Coronavirus restrictions ease, I encourage you to visit.

COVID-19 Update

Let me begin with an update on our principal focus over the last 15 months—confronting the coronavirus pandemic. Our highest priority has been the health and safety of our residents and staff, and I am truly proud and humbled by how they have met the crisis head-on. Between March 2020 and March 2021 our campuses were virtually closed—residents could not come and go, except for necessary medical appointments without entering strict 14-day quarantines; family and friends could not visit except in very limited circumstances; and the hub of communal activities our residents usually enjoy ground to a halt. Much of it is familiar to all of us: theaters, gyms, barber shops, and non-essential services all closed. While most of us became perhaps too well-acquainted with cooking at home, AFRH residents do not have kitchens, and with our dining facilities closed to seating, they had to take every meal back to their apartments.

Residents rose to the occasion by sewing masks, volunteering to carry meals for those with limited mobility, holding each other accountable for preventive practices, learning to connect over Zoom and Skype, and countless other things. Our staff—both employees and contractors—did too, and we owe them a great debt of gratitude. Our social workers and activities staff used all their creativity to craft new activities and work individually with residents to keep them mentally and physically engaged. Our nursing staff bravely handled isolation units, testing, and covering extra shifts for colleagues out for extended quarantines caring for sick family members. Our security staff took over transportation, taking residents to essential medical appointments. Through it all, our communities held together by looking out for each other, putting in their very best effort, and maintaining a bright outlook.

We are truly grateful for the tremendous support we received, including the $2.8 million in CARES Act funds which helped us buy personal protective equipment, medical supplies, screening and disinfection equipment, specialized cleaning services, and more. From our DoD partners including Washington Headquarters Services, Defense Health Agency, and Defense Logistics Agency who helped AFRH obtain over 26,000 polymerase chain reaction tests, prioritized and assisted with administering vaccines leading to 98 percent of residents being fully vaccinated, finding alternative sources for procuring equipment when supply chains became unpredictable, and providing extensive access to public health experts. From volunteers and others who donated masks, sanitizer, sewing machines, tablet computers, garden equipment, and others. We are fortunate to have such generous partners.

To date, AFRH has had 164 positive result cases, split about evenly between the two campuses, including 48 residents, 69 employees, and 47 contractors. Eleven residents and one contractor passed away after testing positive. We confirmed through Mississippi Department of Health records that COVID was not the primary cause of death in any of the five Gulfport resident cases. We are working with the District of Columbia Department of Health to obtain records for Washington resident cases. Between March 2020 and March 2021, resident deaths tracked with our normal annual average.

We began vaccinating residents and staff in late December 2020, and I am glad to report that the Washington campus has not had a confirmed resident positive case since December 30. Gulfport did not have a confirmed resident positive from December 8 until April 16. As a result, in mid-March of this year, AFRH began a phased reopening pilot program to facilitate residents coming and going from campus, visitation from family and friends, and restored resident services and activities. The program depends on continuously assessing community prevalence and risk for the virus, both on our campuses and in the communities nearby, and on everyone in the AFRH community adhering closely to preventive measures.

When we began the phased reopening plan in March, we knew there was a high likelihood we would need to adjust and reassess in response to rapidly evolving circumstances. Emerging variants, efficacy of vaccines over time, and effects of the vaccine on the disease and infection are still largely unknown. On April 16th, the Gulfport campus had two fully vaccinated residents test positive after returning from travel together and being notified that one of their traveling companions tested positive. The following week, four more residents and one contractor tested positive, all fully vaccinated. A couple of residents had mild symptoms, the others remained asymptomatic. Due to this sudden appearance of new cases involving fully vaccinated people, we re-introduced protective measures on the Gulfport campus which will be reviewed weekly following campus-wide testing. Our top priority has been, and will continue to be, keeping our communities safe and healthy.

For a detailed review of AFRH procedures in response to the pandemic, I call your attention to DoD Inspector General evaluation report number DODIG-2021-055. A DoD-wide study was announced in April 2020 and in June AFRH provided documentation and interviews in support of that effort. A formal evaluation of AFRH was announced in July, and between August and January over 75 people were interviewed and hundreds of documents given to inspectors. The final report was issued February 2021 with two minor recommendations to formalize existing procedures, with both recommendations closed prior to the report's publication.[1]

Fortunately, the worst-case labor and supply shortages that we envisioned at the beginning of the pandemic have not occurred. We have nearly $700,000 in combined commitments and open obligations for sourcing supplies and services, which we hope will not be needed but are ready and waiting if we do. In addition to that purchasing capacity, AFRH has $1.27 million of the $2.8 million in CARES Act funding still available, as of the end of March 2021.

While resident turnover from March 2020 to March 2021 was in line with normal averages of 20 percent per year, not being able to market to and admit new residents caused total occupancy to fall 14 percent during that period. By extension, revenue from resident fees, visitor meal purchases, and short-term rental accommodations declined 12 percent, from an average $1.31 million per month in the first half of FY 2020 to $1.16 million per month in the first half of FY 2021. Due to economic uncertainty and reduced interest rates, investment income from AFRH Trust Fund balances declined 95 percent, from an average $108,000 per month in the first half of FY 2020 to an average $5,300 per month in the first half of FY 2021.

The pandemic has presented extraordinary challenges to executing critical capital maintenance projects on our planned timeline due to the campus closures, extended procurement timelines, and limited labor and materials availability. As pandemic restrictions and disruptions ease, AFRH and our procurement partners have been moving aggressively to resolve these delays so projects can proceed. Replacement of the Sheridan Building roof is complete and under budget, so we are tackling roofing needs on two smaller buildings as well. We are receiving designs and starting procurements for our chiller and water pump, water and sewer, and electrical infrastructure replacement projects. The bids we received for our elevator replacement projects were substantially higher than estimated, so we are working to expand the solicitation. While we want to move quickly on these projects, we also want to make sure we obtain the best price.

Efforts to lease a portion of our Washington, D.C. campus for mixed-use private development slowed but never stopped. We executed a new memorandum of understanding between AFRH, the National Capital Planning Commission, and the D.C. Office of Planning laying out the process for zoning private redevelopment on federally-owned land. We also continued work with our development partners on updates to the master plan, terms of the master lease, and interim-use possibilities to generate near-term revenue for AFRH.

[1] Evaluation of the Armed Forces Retirement Home Response to the Coronavirus Disease-2019 Pandemic (DODIG-2021-055), https://www.dodig.mil/reports.html/Article/2506839/evaluation-of-the-armed-forces-retirement-home-response-to-the-coronavirus-dise/

The pandemic may have diverted our energy and slowed us down, but we continued to make progress and, in many ways, it helped us concentrate on what is most important—the health and vitality of our communities.

Solvency and Sustainability

Let me turn now to our progress and what the near future holds for AFRH solvency and sustainability since I last testified before you two years ago. Between initiatives underway and those identified below, AFRH has the potential to increase certain lines of revenue over $12 million in FY 2022, a 27 percent increase from our $46 million baseline in FY 2017, as well as create a more attractive community for current and future residents.

Attracting New Residents

Long-term sustainability for AFRH must include evolving our facilities and services to meet the needs and desires of future generations of veterans. Our Gulfport campus continues to attract new residents with its modern facilities and amenities and beachfront location, though after a decade in service it is beginning to need capital investments in systems and equipment. Our Washington campus is significantly more challenging as over 80 percent of our residents live in the Sheridan Building, originally constructed in the 1960s with the last significant facelift completed in the early 1990s. Rooms are designed for single occupants and are smaller than average rooms in the lowest quartile for retirement communities nationwide.

AVERAGE UNIT SIZE (PER SQUARE FOOT) OF CONTINUING CARE RETIREMENT COMMUNITIES			
AFRH Sheridan Bldg	National Lower Quartile	National Median	National Upper Quartile
272	434	750	1,439

Source: *The State of Seniors Housing, 2019*; American Seniors Housing Association

AFRH engaged an architecture and engineering firm to redesign an independent living floor of the Sheridan Building to modern standards and increase per-unit square footage by extending usable square footage to enclose the existing balconies which were damaged and unusable since a 2011 earthquake. Their proposed design would yield rooms averaging 561 square feet, ranging from 400 to 730 square feet, able to accommodate both singles and couples. The scope of work would include demolition and renovation, enclosure of the balconies, and modernized HVAC, mechanical, and electrical systems. Together with existing capital projects, these renovations would accomplish all deferred maintenance items for the Sheridan Building. We look forward to providing more information on this project in this year's budget submission.

Expanding Eligibility

The National Defense Authorization Act for Fiscal Year 2021 (Public Law 116-283) enacted January 1, 2021 expanded resident eligibility to include retired members of the National Guard and Reserves. Given the increased reliance on these components during recent conflicts, AFRH leadership understands the value of extending the benefits AFRH provides our enlisted veterans to all retired members.

AFRH's unique model whereby current members of the military invest in the facilities and care of those that served before them is one to be proud of. In 2019 the Congressional

Budget Office estimated $4 million in annual revenue to AFRH if pay deductions are extended to reserve components, offsetting direct spending. A copy of that letter is included for the record. If DoD increases the deduction amount from $0.50 to $1.00 per month, pay deduction revenue from both active and reserve components would rise by $11 million.

Together these actions will expand eligibility and access while at the same time helping to ensure the long-term solvency and sustainability of this important legacy. Prior to the pandemic, AFRH was in discussions with Walter Reed National Military Medical Center to offer a residential program for wounded warriors transitioning from hospital and rehabilitation stays. We hope to resume discussions and planning for such a program as pandemic restrictions ease.

Leveraging Assets to Generate Long-Term Revenue

As I discussed in the COVID-19 section above, the pandemic may have slowed progress, but AFRH's plan to redevelop 80 acres of our Washington, D.C. campus for over 4 million square feet of mixed-use private development is very much on track. The memorandum of understanding between AFRH, the National Capital Planning Commission, and the D.C. Office of Planning paves the way for zoning and building code jurisdiction through the District, thereby removing concerns identified by potential lenders and equity partners for the development. AFRH is working with our partners to amend the master plan, negotiate the master ground lease, and develop interim uses to generate near-term revenue. We hope to resolve the master plan amendment late in 2021 or early 2022 and execute a master lease in 2022. This transformational project will provide AFRH a new source of significant long-term revenue, contribute amenities that will bolster our campus' attractiveness with residents and enhance the surrounding community, and increase tax revenue, jobs, and affordable housing in the District.

Conclusion

In my testimony two years ago, I argued that outdated and deteriorating facilities have a negative effect on AFRH's ability to attract and retain residents, and low occupancy levels exacerbate our financial problems by reducing fee income and driving higher fixed costs per resident. At the time, a 2016 senior living industry report showed average capital expenditures per unit of $6,151 for continuing care retirement communities nationwide[2], with AFRH spending less than $900 per unit. Increasing AFRH's capital budget from $1 million per year to $21 million combined between fiscal years 2020 and 2021 will go a long way to addressing our most critical maintenance needs, but there is much still to tackle in the years ahead.

Our FY 2021 appropriation supported increased operating funds, after a period of continual labor and supply cost increases. FY 2021 funds also provided two-year availability of operating funds, borne out by Hurricane Zeta causing over $500,000 in damage to the Gulfport campus shortly after the start of the FY, yet FY 2020 had just ended with funding still available.

We look forward to working with the Senate Appropriations Committee, and the Armed Services Committees in both houses to find new approaches to keeping this National treasure healthy and strong for our enlisted veterans. Thank you for your support of our mission, and for the opportunity to appear today. I look forward to your questions.

[2] *State of Seniors Housing 2016,* American Seniors Housing Association.

CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

June 17, 2019

Honorable James M. Inhofe
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Re: *Direct Spending and Revenue Effects of S. 1790, the National Defense Authorization Act for Fiscal Year 2020*

Dear Mr. Chairman:

The Congressional Budget Office has completed the enclosed estimate of the direct spending and revenue effects of S. 1790, the National Defense Authorization Act for Fiscal Year 2020, as reported by the Senate Committee on Armed Services on June 11, 2019.

Enacting the bill would increase net direct spending by $33 million over the 2020-2029 period. It also would increase revenues by $40 million over that same period. In total, S. 1790 would reduce the deficit by $7 million over the 2020-2029 period. Those budgetary effects primarily arise from three sources. Changes to how military review boards evaluate requests from veterans to improve the characterization of their discharge from the armed forces would increase direct spending. Collections of fees from new residents at the Armed Forces Retirement Home would reduce direct spending. A provision that would establish a new payroll deduction from service members in the Selected Reserve of the U.S. Armed Forces would increase revenues.

Because the bill would affect direct spending and revenues, statutory pay-as-you-go procedures apply.

CBO estimates that enacting S. 1790 would not increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2030.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is David Rafferty.

Sincerely,

Phillip L. Swagel
Director

Enclosure

cc: Honorable Jack Reed
Ranking Member

Table 1.
Estimated Increases or Decreases in Direct Spending and Revenues Under S. 1790, as Reported by the Senate Committee on Armed Services on June 11, 2019

	By Fiscal Year, Millions of Dollars												
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2019-2024	2019-2029
	Increases or Decreases (-) in Direct Spending[a]												
Review Boards[a] Sections 546-551, 553													
Estimated Budget Authority	0	5	6	6	6	6	6	6	6	7	7	29	61
Estimated Outlays	0	5	6	6	6	6	6	6	6	7	7	29	61
Armed Forces Retirement Home[b] Section 1422													
Estimated Budget Authority	0	0	-4	-4	-5	-5	-5	-5	-5	-5	-5	-18	-43
Estimated Outlays	0	0	-4	-4	-5	-5	-5	-5	-5	-5	-5	-18	-43
Global Security Contingency Fund[c] Section 1203													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	5	5	0	0	0	0	0	0	0	0	10	10
Contraception Coverage[d] Section 701													
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	1	3
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	1	3
Medals of Honor[e] Sections 585 and 587													
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	1	3
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	1	3
TRICARE Payment Options[f] Section 702													
Estimated Budget Authority	0	0	*	*	*	*	*	*	*	*	*	*	-1
Estimated Outlays	0	0	*	*	*	*	*	*	*	*	*	*	-1
Total Changes in Direct Spending													
Estimated Budget Authority	0	5	2	2	1	1	1	1	1	2	2	13	23
Estimated Outlays	0	10	7	2	1	1	1	1	1	2	2	23	33
	Increases in Revenues												
Payroll Deductions from Reservists[b]	0	4	4	4	4	4	4	4	4	4	4	20	40
	Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues												
Effect on the Deficit	0	6	3	-2	-3	-3	-3	-3	-3	-2	-2	3	-7

Components may not sum to totals because of rounding; * = between -500,000 and $500,000.
CBO estimates that enacting S. 1790 would not increase on-budget deficits in any of the four consecutive 10-year periods beginning in 2030. Other provisions in S. 1790 would have insignificant effects on direct spending and revenues. CBO assumes that S. 1790 will be enacted near the start of fiscal year 2020.

Continued

Table 1.
Continued

a. Sections 546-551 and 553 would affect how Discharge Review Boards and Boards for Correction of Military Records adjudicate requests from veterans or their next of kin to upgrade the veterans' discharge from the U.S. Armed Forces. Those upgrades would increase direct spending for retroactive separation pay and for mandatory veterans' benefits.
b. Section 1422 would authorize retirees from the reserve components to reside at the Armed Forces Retirement Home. The resident fees paid by those retirees would decrease direct spending. The section also would authorize deductions from the pay of service members in the Selected Reserve of the U.S. Armed Forces. Those deductions would increase revenues.
c. Section 1203 would allow the Department of State to spend balances in the Global Security Contingency Fund that would otherwise remain unspent.
d. Section 701 would eliminate all cost sharing for contraceptive pharmaceuticals and devices for women who use TRICARE. The health care costs for beneficiaries who are retirees of the other uniformed services and their dependents are paid from mandatory appropriations.
e. Sections 585 and 587 would authorize awards of the Medal of Honor that cannot be given under current law. Recipients who are living receive monthly pensions that are paid from mandatory appropriations.
f. Section 702 would require military retirees, when possible, to pay their TRICARE enrollment fees through deductions from their retired pay, which would reduce payments for credit card fees. That would reduce health care spending for retirees of the other uniformed services, whose health care costs are paid from mandatory appropriations.