



August 3, 2003

AFRH Chief Operating Officer Fact Sheet No. 4

Subject: RESIDENT FEES

Applicability: AFRH-Washington Residents

Issue: I have received a petition dated June 23, 2003 signed by a number of the retired residents who reside at the Armed Forces Retirement Home (AFRH), Washington campus. The petition makes the following statements:

1. **Statement:** Retired residents of the home are being unfairly treated in the assessment of user fees. Retired military residents are paying hundreds of dollars a month more in average user fees than non-retired residents. The AFRH is unfairly targeting retired pay. Military retirement income should be exempted (from user fee calculations).

Response: The Congress approved the fee schedule currently being used by the AFRH as part of the National Defense Authorization Act for 2002. Congress considered input from the Department of Defense, the Military Services (the Service Study Group), AFRH management and certain residents before they finalized the current fee structure. Under the current fee schedule, AFRH – Washington campus residents are required to pay the following monthly fees:

- Independent Living – 35% of resident's income not to exceed \$1,000 a month
- Assisted Living – 40% of resident's income not to exceed \$1,500 a month
- Long Term Care – 65% of resident's income not to exceed \$2,500 a month

The National Defense Authorization Act for 2002 actually resulted in a fee reduction for the majority of residents. Congress decided that the fairest method of setting a resident fee structure for the veterans who reside at the Home was to base it on one's ability to pay. The current fee schedule is calculated on a set percentage of one's income per the level of care the resident requires. Since the AFRH does not receive appropriated dollars, Congress and the AFRH management are sensitive to any deviations from the fee scheduled contained in the National Defense Authorization Act for 2002 legislation which would result a negative impact on the AFRH Trust Fund.

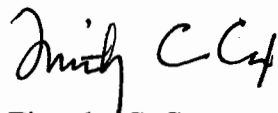
It is also important to remember that each resident gained access to the Home by meeting one or more of the criteria stated in law. Retired and non-retired veterans fought in the same wars and made similar sacrifices. The law does not show any favoritism or preferential treatment between retirees and non-retirees regarding setting resident fees, nor should we. As stated in law, the purpose of the AFRH is to provide, through the AFRH – Washington and the AFRH – Gulfport, residences and related services for certain retired and former members of the Armed Forces.

In reality, the vast majority of resident's user fees (both retiree and non-retiree) are supplemented with funds from outside sources. Monthly fees paid by residents pay for approximately 21% of the total amount needed to support residents who make the AFRH their Home. The remaining 79% comes from each of the Service's fines and forfeitures (56%), the 50 cent monthly military payroll deduction from each active duty enlisted service member (12%), interest on the Trust Fund balance (9%) and a small amount of allotments and contributions to the Home (2%). With few exceptions, residents, both retirees and non-retirees benefit from supplemental funds on a monthly basis.

2. Statement: A uniform user fee should be charged - equal fees for equal services. AFRH should establish a minimum users fee of at least \$350 dollars a month. Under no circumstances should the maximum user fee be more than twice that of the minimum user's fee.

Response: The issue of establishing a minimum or flat user fee structure was explored in depth during the Summer of 2000. The AFRH corporate position continues to oppose a minimum or flat fee for the following reason:

Establishing a minimum or flat fee would prevent the AFRH from serving the individuals today and in the future who could not afford to pay the minimum fee. Exclusion of this group of individuals was absolutely contrary to the Home's more than 150 year tradition of attending to the needs of retirees and veterans, regardless of their ability to pay. Minimum or flat fees would potentially exclude eligible veterans whose need for care and service was potentially the greatest. Many airmen, marines, sailors and soldiers who secured the freedom we enjoy and who paid into the AFRH Trust Fund during their time in the military would not be able to afford to enter and live in the Home. Establishing a minimum or flat fee would severely compromise the principles and integrity of the two Homes which comprise the AFRH.



Timothy C. Cox
Chief Operating Officer