

# GAO Highlights

Highlights of [GAO-24-106171](#), a report to the Committee on Armed Services, House of Representatives

## Why GAO Did This Study

AFRH is an independent entity within the executive branch designed to provide housing, health care, and well-being assistance to eligible veterans. AFRH is financed through a dedicated trust fund. However, certain revenue sources for its funding have decreased or remained static over time while costs have increased. To address its financial challenges without cutting services to residents, AFRH has worked to identify new revenue sources to help rebuild its trust fund balance.

House Report 117-397 includes a provision for GAO to review the financial sustainability of AFRH. GAO examined the extent to which AFRH projected estimated revenues and expenses for its trust fund through 2042, and developed plans to address any potential financing shortfalls, among other objectives.

GAO reviewed relevant laws, federal guidance, audit reports, and agency guidance and policies; interviewed agency officials and actuarial experts; conducted site visits; and developed a projection to analyze AFRH's financial position.

## What GAO Recommends

Congress should consider taking action to address AFRH's financial shortfalls and may wish to consider actions proposed by AFRH management. GAO is also making seven recommendations to AFRH, including that it develop policies for financial projections and plans for revenue-generating proposals. AFRH agreed with four recommendations, partially agreed with one, and did not agree with two. GAO believes all recommendations are warranted.

View [GAO-24-106171](#). For more information, contact Kristen A. Kociolek at (202) 512-2989 or [kociolek@gao.gov](mailto:kociolek@gao.gov).

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# ARMED FORCES RETIREMENT HOME

## Congress and Agency Management Should Take Actions to Improve Financial Sustainability

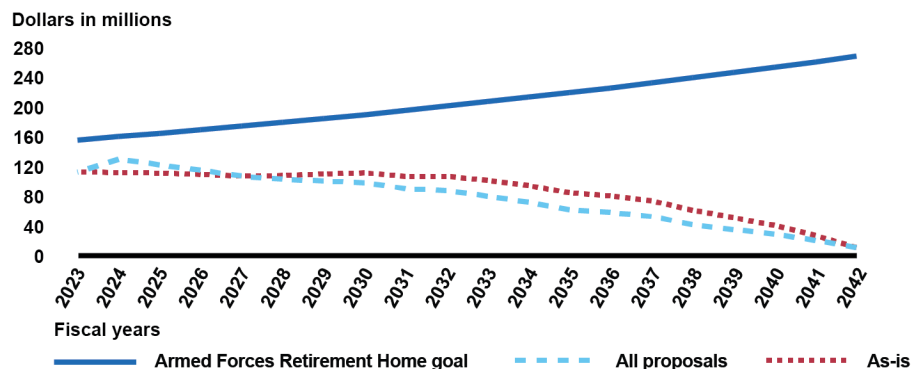
### What GAO Found

The Armed Forces Retirement Home (AFRH) prepares at least four financial projections yearly for varying purposes. However, GAO found that AFRH's processes for preparing these projections do not conform to actuarial standards and practices. Specifically, AFRH used inaccurate and inconsistent data, did not have sufficient supporting information for its assumptions of future events and values, and did not make trust fund projections based on reasonable assumptions of expected occupancy levels. Without policies and procedures for preparing financial projections to help ensure staff consistently apply relevant standards and consult with appropriate experts, such as actuaries, AFRH increases the risk that its projections will not be useful for decision-making.

AFRH has identified several proposals to generate revenue and address potential financial shortfalls. However, challenges affect its plans to implement them, including factors outside of AFRH's control. AFRH's planned proposals include a statutory increase in military withholdings, requiring all military service members who are currently eligible for AFRH residency to contribute, and obtaining health and medical care reimbursements from programs such as TRICARE and Medicare for services it provides. However, these proposals require actions from Congress for AFRH to effectively implement them.

GAO developed projections of AFRH's trust fund balance through fiscal year 2042 under two scenarios: AFRH continuing to operate as-is and AFRH operating with all quantifiable proposals implemented. GAO's analysis shows that whether AFRH continues to operate under its current scenario or implements all proposals, the trust fund will likely continue to decline without other significant efforts to bolster it (see figure). Additionally, AFRH is not projected to meet its goal for the trust fund balance.

GAO Projection of Armed Forces Retirement Home's Trust Fund Balance



Source: GAO analysis of Armed Forces Retirement Home data. | GAO-24-106171

AFRH has not achieved its goals to raise its declining occupancy or to implement its other proposals. Also, AFRH faces further financial risks from costly repairs to deteriorating facilities. AFRH has not developed plans to address these issues. Without further actions, AFRH may continue to face financial shortfalls that in the future could affect its ability to fulfill its mission.