
Evaluation of VA Pension and Parents' DIC Programs

VA PENSION PROGRAM FINAL REPORT

By

ORC Macro
Economic Systems Inc.
Hay Group

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INTRODUCTION

Pension programs for wartime veterans and their survivors have existed in the United States since the Revolutionary War. The current VA Pension program, Improved Pension, was established by Public Law 95-588 on November 4, 1978 as a need-based program for veterans and surviving spouses. The veteran and survivor pension program was designed to support the following important values:

- ◆ Assure a level of income above the minimum subsistence level, allowing wartime veterans and their survivors to live their lives in dignity and not to have to turn to welfare assistance
- ◆ Provide the greatest pension for those with the greatest need, while preserving incentives to work
- ◆ Guarantee regular increases to pensions that fully account for increases in the cost of living.

To be eligible for a pension, veterans and spouses must meet countable family income (CFI) limits and have a net worth that is not excessive. Net worth is reviewed on a case-by-case basis with \$80,000 as the general maximum allowed. The Department of Veterans Affairs (VA) assesses net worth to assure that pension is not used to create estates for heirs and considers factors such as age and expected longevity in determining whether assets should be used to fund living expenses.

The number of veteran pensioners in Fiscal Year (FY) 2002 was 327,867 for an annualized total of \$2,140,262,016 in benefits. The average annual amount of benefits was \$6,528 per veteran. The number of spouse pensioners in FY 2002 was 172,383 for an annualized total of \$574,970,328 in benefits. The average annual amount of benefits was \$3,335 per spouse.

STUDY PURPOSE

The purpose of this study is to conduct an objective third-party evaluation of the efficiency and effectiveness of the VA Pension program. The evaluation determines the extent to which the program meets the following criteria:

- ◆ Statutory intent
- ◆ Intended outcomes
- ◆ Expectations of recipients, legislators, program officials, and other stakeholders.

The evaluation also—

- ◆ Assesses the impact of statutes, regulations, and significant court decisions and operations on achieving desired program results
- ◆ Assesses the current program outcomes and outcome measures and recommends revision, if necessary

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- ◆ Identifies and reports on the interrelationship of the VA Pension program with other need-based income support programs available
- ◆ Examines other pertinent issues related to the VA Pension program.

STUDY METHODS

VA's Office of Policy, Planning and Preparedness contracted with ORC Macro, the prime contractor for the study, with support from two subcontractors—Economic Systems Inc. and the Hay Group. The evaluation used a multi-method approach, including stakeholder consultations; literature reviews of legislation, regulations, and court cases; analysis of administrative data; forecasting with multiple data sets; reviews of other assistance programs; analysis of related survey and administrative records; and a computer-assisted telephone survey of 1,305 veterans and 1,294 spouses participating in the VA Pension program as of June 2002.

STUDY FINDINGS

I. Outcomes and outcome measures

VA established the following outcomes for the VA Pension program:

- ◆ Access—Veterans and their families get the information and help they need to access, understand, and participate in the VA Pension program and related health care options.
- ◆ Income—VA pension provides entitled wartime veterans and their survivors the income they need to afford the basic necessities for themselves and their families.
- ◆ Basic Security—Pensioners and their families can rely on the financial continuity and stability of the VA pension in time of need.
- ◆ Dignity—VA pensioners are accorded the dignity and respect earned through the veteran's service to our Nation during wartime.

Our review of the legislative history indicates that the VA Pension program is intended to provide wartime veterans and their survivors with an income that covers basic necessities so that they do not have to turn to welfare. However, the legislation for the VA Pension program does not provide a specific standard, such as exceeding the poverty guideline¹ by a certain percentage. Instead, the program's funding level determines the structure of the benefit amounts. FY2002 benefit amounts for a

¹ The Department of Health and Human Services (HHS) poverty guidelines or levels are a simplified version of the Federal Government's statistical poverty thresholds used by the U.S. Census Bureau to prepare its statistical estimates of the number of persons and families in poverty. The poverty guidelines issued by HHS are used for administrative purposes—for instance, for determining whether a person or family is financially eligible for assistance or services under a particular Federal program. Many Federal programs use percentage multiples of the HHS poverty guidelines to determine program eligibility (for example, 125% or 185% of the poverty guideline). Separate guidelines are prepared for the 48 contiguous States, Alaska, and Hawaii. In 2002, the Federal poverty guideline for a single individual in the 48 contiguous States was \$8,860. Each additional household member adds \$3,080 to the guideline.

single individual with no dependents place veterans at 108 percent of the poverty guideline but place spouses at 73 percent of the poverty guideline.

The extent to which the outcomes are achieved is included in the following discussion.

Analysis of survey responses and VA administrative data reveal that only 17 percent of surviving spouses meet or exceed the poverty line, but that 85 percent of veteran pensioners meet or exceed the poverty line. Overall, veterans fare better, but their incomes are still close to poverty. The VA pension benefit is so low that it is not sufficient to cover basic living expenses, regardless of where they fall relative to poverty, of more than one-third of all pensioners. Pensioners describe their financial situation as either barely being able to pay for their basic necessities or having to make major sacrifices. Both veterans and spouses report unmet needs and cutbacks on necessities to cover other living expenses. One-third of pensioners say they had difficulties meeting living expenses in the past 12 months, and half of them say that they ran out of money and had to cut back on basic necessities. More than three-quarters of the pensioners make sacrifices to make ends meet, primarily using strategies that compromise their well-being, such as eating cheap foods instead of balanced meals, skipping meals, not using heat and air conditioning, borrowing money from family and friends, not filling prescriptions or taking lower dosages than prescribed, and numerous other methods. Given these findings, it is reasonable to conclude that the total incomes of veteran and spouse pensioners are not sufficient to cover their basic necessities.

2. Access, participation, and nonparticipation

Veterans learn about the VA Pension program primarily from VA or veteran service organizations (VSOs). Veterans most often apply to the program either due to a serious illness or because they recently became aware of the program's existence. Conversely, spouses learn about the VA Pension program primarily because the deceased veteran was receiving a VA pension. Spouses' other frequently reported reasons for applying are similar to those reported by the veteran: becoming aware of the program's existence, insufficient financial resources, and serious illness.

Based on Census 2000, 2001 Current Population Survey² data and VetPop2001,³ we estimate that only about 27 percent of eligible veterans and 14 percent of eligible spouses received pension benefits in 2001.

The study produced conflicting results about the application. Pensioners report that the application process was easy and not a barrier to participation, eligibles and their caregivers were completely unaware of the program and found the application process daunting. More than 90 percent of participating pensioners received assistance in completing their application.

3. Profile of veteran and spouse pensioners

The profile of pensioners indicates that most beneficiaries are White, elderly, not highly educated, and currently or previously married. A substantial percentage of pensioners identify themselves as non-White—26 percent of veterans and 32 percent of spouses; most of these pensioners are African

² The Current Population Survey is a monthly survey conducted by the U.S. Census Bureau of the U.S. Civilian noninstitutionalized population.

³ VetPop is the statistical model that VA uses to estimate the veteran population and participation in its programs for the next 100 years. The model is based on veteran data collected from the decennial census, the Department of Defense, and the VA Compensation and Pension Service.

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American. The average veteran is a 68-year-old male; the average spouse is a 71-year-old female. The educational level of pensioners corresponds to their economic situation—44 percent of veterans and 60 percent of spouses do not have a high school diploma; about one-fourth of pensioners have an eight-grade education or less. Almost half of the veterans and three-quarters of the spouses live by themselves. Veterans who do not live alone most often live with a spouse; spouses who do not live alone most often live with adult children. Forty-two percent of veterans and almost half of the spouses are homeowners.

Pensioners are in fair-to-poor health, with an average of four concurrent health problems. Almost three-quarters of the surveyed veterans and more than half of the spouses have significant physical limitations that affect their mobility (such as difficulty climbing stairs and walking). Overall, many of the pensioners (62% of veterans and 49% of spouses) report that they stay at home most of the time due to disabilities or health problems. An additional 11 percent of veterans and 7 percent of spouses are bed-ridden. Nearly half of the veterans and more than one-third of the spouses need help to perform the activities of daily living, such as shopping, cooking, and cleaning. Veterans are more likely to transport themselves with their own cars; spouses are more likely to ask someone to give them a ride when they need to leave their home.

The vast majority of the pensioners have health care coverage—low-income veterans qualify for VA health care, although survey responses indicate that some⁴ may not be aware of this. Spouses report that they receive health care primarily through Medicare or Medicaid, and veterans report receiving health care primarily through military health care services⁵ and VA. A minority (5% of veterans and 13% of spouses) who have no health care coverage get health care by going to emergency rooms, paying out of pocket, or avoid using health care services altogether. Those most likely not to have health care coverage are veterans and spouses with children. The primary health care services used by respondents are prescription medicines, doctors' visits, eyeglasses or eye exams, and laboratory tests.

Given their age and health status, most VA pensioners are not employed. Among those under 65 who are not employed, poor health and disabilities is the predominant reason they give for not working.

4. Pensioners' assets, expenses, and debt

Survey results show that pensioners rely primarily on their VA pension (more than 93%) and Social Security (two-thirds of veterans and almost three-fourths of spouses) benefits to cover living expenses and unexpected needs. VA pension recipients have few assets other than their homes or vehicles. According to VA's administrative records, 67 percent of veterans and 71 percent of spouses have a zero net worth (excluding homes). The average net worth of pensioners is \$1,897 for veterans and \$1,618 for spouses, according to VA's administrative records. VA pension recipients most often report food, utilities, and housing as their largest living expenses.

A large percentage of veterans and spouses have substantial amounts of debt, incur debt to pay for living expenses, and have to rely on financial assistance from others, mostly adult children, to help them meet their living expenses. Almost half of the veterans and more than one-third of the spouses have debt,

⁴ Five percent of veteran survey respondents indicated they had no health care coverage. However, VA health care is available to low-income veterans whose income meets the current VHA income limits. Pension beneficiaries currently are automatically eligible as category 5 enrollees.

⁵ Veteran respondents may have confused military hospitals with VA hospitals. Veterans who receive care at military hospitals are military retirees whose incomes are likely to be higher than the maximum allowed to qualify for a pension.

primarily from credit cards, unpaid health care expenses, and mortgages; average debt is \$16,555 for veterans and \$11,144 for spouses. More than one-fourth of veterans and one-fifth of spouses report that they use credit cards or loans to pay for their basic living expenses, primarily food and clothing.

Younger pensioners and pensioners with children are worse off than other pensioners. Younger pensioners and pensioners with children have fewer assets, more debt, and more of them use credit to pay for living expenses. Younger pensioners and pensioners with children are less likely to have any savings, and if they do, they have less than older pensioners. Overall, younger pensioners and pensioners with children are in the weakest financial position.

5. Income

The primary source of income for veterans and spouses who receive a VA pension is the VA Pension program, followed by Social Security. Veterans receive a little more than half of their income from VA pension and a little less than half from Social Security; this trend is reversed for spouses. The remainder of their income comes from other retirement sources, but these other sources account for less than 5 percent of their income. Their total⁶ incomes place 83 percent of spouses at or below the poverty line and 15 percent of veterans at or below the poverty line. Without other Federal means-tested assistance (such as Supplemental Security Income, food stamps, welfare/TANF, and subsidized housing) veterans' total annual average income is \$12,556, and spouses' is \$7,902. More spouse pensioners (48%) receive assistance from Federal means-tested programs, compared with 23 percent of veterans. Veterans receive an average of \$375 in additional cash and non-cash assistance per year; spouses receive \$605 per year.

In comparison of the elderly (65 and over) veteran pensioners with the general elderly (defined as those 65 years old or older for this study) means-tested population who receive assistance from Federal programs, the picture is mixed. On one hand, there are fewer elderly veteran pensioners living at or below the poverty line (13% compared to 33%). On the other hand, average income for elderly veteran pensioners is much less than average income for the general means-tested populations (\$13,101 compared to \$25,528). Compared to the general elderly means-tested population who receive need-based assistance from Federal programs, elderly spouse pensioners have lower total incomes (\$8,336 compared to \$25,528), and more are at or below the poverty guideline (78.5% compared to 36.9%).

The amount of VA pension benefits that participants receive is driven by the program's eligibility formula. The characteristics of veterans and spouses that are associated with higher amounts of pension benefits are: financially supporting someone else, being confined to home due to disabilities, and being younger. Having dependents increases the amount of benefits; being confined to home is likely to result in receiving aid and attendance/homebound benefits, and younger pensioners are less likely to receive Social Security retirement and therefore get a larger portion of their income from the VA Pension program. Having at least a high school diploma and living with others are two significant factors for receiving higher benefits that were found statistically significant for spouses but not for veterans. (Appendix A contains a detailed description of the multivariate methodology and the levels of statistical significance obtained.)

⁶ Excluding Federal means-tested assistance.

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The policy of submitting unreimbursed medical expenses (UMEs) at the end of the year is financially burdensome and may result in UMEs not being submitted at all. In comparing the survey results with VA administrative records, 23 percent of veterans and 27 percent of spouses indicate that they have health care expenses, but only 38 percent of those veterans and 28 percent of those spouses report them to VA. Reporting these unreimbursed medical expenses (UMEs) would decrease the poverty rate for veterans and spouses by approximately 4 and 5 percentage points, respectively. Ninety-seven percent of spouses who do not report UMEs are at or below the poverty level. The timing of the survey (Fall 2002 through Spring 2003) and the administrative files (summary through June 2002) may artificially inflate these numbers, but at a minimum, the policy on UMEs needs to be reviewed.

The income provided by the VA Pension program provides security in the sense that it is a reliable source of income. Most pensioners receive the benefit continuously after enrolling, and the benefit level remains stable. However, pensioners do not view their overall financial situation as very secure. They rate the program as providing moderate to little security. One-third stated that they had difficulty meeting basic living expenses in the past 12 months.

6. How program operations affect outcomes

The outreach procedures described by VA primarily target veterans and secondarily surviving spouses and dependents of veterans. The outreach tends to “bundle” all the VA programs and focus on veterans. No evidence was provided that VA targets isolated elderly people—housebound individuals and potential eligibles in nursing homes and other senior facilities. Furthermore, although VA’s central office provides overall guidance, outreach varies in type and intensity by VA Regional Office. VA recently began sending out brochures about all of VA’s programs to veterans when they apply for any VA benefit and to survivors when VA is notified of a veteran’s death. This should help improve awareness of the VA Pension program for future participants, but it does not reach current survivors who are unserved and veterans who do not receive other VA benefits.

Recent applicants report that the application process was easy. However, nearly all of them (95%+) had assistance in completing the application. Nonparticipating eligibles find the application daunting and inappropriate for the educational level of applicants. Our review of the application and the Eligibility Verification Report (EVR) suggests that the application and EVR can be improved to increase reporting accuracy.

Once an applicant is found eligible for its pension program, VA has good procedures and processes to provide relevant information about the program, verify any overpayment amount, or deny benefits to ineligible applicants.

Some program information is not relayed effectively to the applicants. The application is not completely clear about medical expense reporting and what information should be provided. The information provided in the application and the EVR is not identical in informing applicants of the types of income they must report and may result in some overpayment. The application, not the EVR, requests information for eligibility for aid and attendance and housebound benefits. As pensioners age, they may become qualified for the additional benefits, but they may not inform VA because such information is not requested on the EVR. The age and low educational level of pensioners also indicate the need for an easier application.

The current income verification matching (IVM) program with the Internal Revenue Service has a 2-year lag. This means that VA must wait 2 years before it can verify the income information provided by

applicants on the initial application. Consequently, applicants could be receiving benefits 3 years before VA is able to determine that they are ineligible for benefits or that they are overpaid.

We found no court cases that mandated changes in VA's procedures for the administration or payment of pension benefits or any decisions that would interfere with the operation of the program or with satisfaction of program objectives. Most cases involved interpretation of statutes and regulations regarding eligibility for benefits or other matters related to the facts and circumstances of the case.

7. Pensioners' needs

Both veterans and spouses report unmet needs and cutbacks on necessities to cover other living expenses. One-third of pensioners say they had difficulties meeting living expenses in the past 12 months, and half of them say that they ran out of money and had to cut back on basic necessities. More than three-quarters of pensioners made sacrifices to make ends meet, primarily by implementing strategies that compromised their well-being, such as eating cheap foods instead of balanced meals, skipping meals, not using heat and air conditioning, borrowing money from family and friends, not filling prescriptions or taking lower dosages than prescribed, and numerous others methods. VA pensioners used these strategies cyclically and concurrently to save money to pay for living expenses when their VA pension (as well as other financial resources) ran out before the end of the month. Larger percentages of pensioners with children, those younger than 65 years of age, and non-Whites report far greater financial need and use money saving strategies more than other pensioners.

Despite their sparse financial situation and the money-saving strategies that they must use, VA pensioners would be significantly worse off without a VA pension. More than half of recent veteran awardees and almost one-third of the recent spouse VA pensioners rate their current financial situation as better than before they began receiving a VA pension and also report their current household income to be more than before they began receiving a VA pension. Furthermore, the percentage of recent awardees who had difficulties or were not able to pay their living expenses was much smaller in the past 12 months than in the year before the VA benefits. Thus, a VA pension is an important part of the pensioners' ability to survive, even at a subsistence level.

8. Satisfaction with the VA Pension program

Nearly all pensioners are proud to be a veteran or the widow/widower of a veteran and believe that the Pension program provides recognition for the veterans' services to our country.

Overall satisfaction for the VA Pension program is between somewhat satisfied and satisfied, 4.4 on a scale of 1 to 6 for veterans and spouses. The VA staff has the highest satisfaction score (5.0). Other high-scoring program features are the application process overall (4.7 to 4.8) and sending in information (4.7 to 4.8). In contrast, focus groups of eligible but nonparticipating veterans and spouses and managers of the affairs of eligible veterans and spouses conclude that the application is daunting and that the application process is a barrier to participation. These findings suggest that nonparticipants' views of ease of access to the Pension program are very different from participants' views. People who accessed the program generally find it easy to do so; people who have not accessed the program do not find it easy to access. Treatment of UMEs, net worth, counting spouse's income for veterans, and counting the income of children are scored lower but are still in the somewhat satisfied range. The lowest satisfaction ratings are between somewhat dissatisfied and somewhat satisfied for the overall service experience, counting the proceeds of the sale of a home as part of net worth, and amount of benefits received.

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In explaining respondent characteristics that contribute to satisfaction and dissatisfaction, increases in age are associated with increases in satisfaction for veterans and spouses. More educated spouses are less satisfied, and African American veterans are less satisfied than other veterans. The attributes that most affect the overall satisfaction rating of spouses are the amount of the benefit and the counting of net worth. Although customer satisfaction of veterans with VA staff and the application process score high, they are not the major drivers of customer satisfaction. Rather, the amount of benefit is the principal driver. For spouses, the principal drivers are the amount of benefit and the counting of net worth. Therefore, the attributes that VA would need to address for the overall satisfaction score to increase significantly for spouses are the amount of the benefit and the counting of net worth. For veterans, the only way to improve satisfaction is to increase the amount of the benefit.

CONCLUSIONS

The conclusions drawn from the study findings are the following:

- ◆ The VA Pension program is meeting its outcome of conveying a sense of dignity to veterans and spouses. Most veterans and spouses feel that the program provides recognition of veterans' wartime service.
- ◆ The VA Pension program is meeting its congressional intent by not displacing work. The average age of pensioners is 68 for veterans and 71 for spouses; most of the younger pensioners are not working due to health problems.
- ◆ A VA pension is a key source of income for veterans and spouses who receive pensions, providing slightly more than half of the veterans' income and slightly less than half of the spouses' income. Without their VA pension, veterans and spouses would be much worse off.
- ◆ VA pensions do not provide sufficient income to cover veterans and spouses' living expenses. As such, it does not meet congressional intent or VA's outcome for income that provides the basic necessities for pensioners and their families. Pensioners with dependent children are worse off than other pensioners. Pensioners' unmet needs include food, heat, transportation, and health care.
- ◆ The VA Pension program is not meeting its program goals because too few eligibles are being served. Only 14 percent of spouses and 27 percent of veterans who are qualified to receive a pension received one in 2001.
- ◆ The VA Pension program is not meeting congressional intent because it does not provide a level of income above the minimum subsistence level, allowing veterans and their survivors to live their lives in dignity and not to have to turn to welfare assistance. The VA pension does not cover the basic living expenses of VA Pension program participants. Most veterans are slightly above poverty and spouses are well below poverty, forcing pensioners to make sacrifices to make ends meet.

RECOMMENDATIONS

All recommendations are predicated on the study team's interpretation of congressional intent for the VA Pension program, which is that the program should provide a level of income that places VA Pension

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- ◆ The VA Pension program is meeting its congressional intent by not displacing work. The average age of pensioners is 68 for veterans and 71 for spouses; most of the younger pensioners are not working due to health problems.
- ◆ A VA pension is a key source of income for veterans and spouses who receive pensions, providing slightly more than half of the veterans' income and slightly less than half of the spouses' income. Without their VA pension, veterans and spouses would be much worse off.
- ◆ VA pensions do not provide sufficient income to cover veterans and spouses' living expenses. As such, it does not meet congressional intent or VA's outcome for income that provides the basic necessities for pensioners and their families. Pensioners with dependent children are worse off than other pensioners. Pensioners' unmet needs include food, heat, transportation, and health care.
- ◆ The VA Pension program is not meeting its program goals because too few eligibles are being served. Only 14 percent of spouses and 27 percent of veterans who are qualified to receive a pension are expected to receive one in 2005.
- ◆ The VA Pension program is not meeting congressional intent because it does not provide a level of income above the minimum subsistence level, allowing veterans and their survivors to live their lives in dignity and not to have to turn to welfare assistance. The VA pension does not cover the basic living expenses of VA Pension program participants. Most veterans are slightly above poverty and spouses are well below poverty, forcing pensioners to make sacrifices to make ends meet.

RECOMMENDATIONS

All recommendations are predicated on the study team's interpretation of congressional intent for the VA Pension program, which is that the program should provide a level of income that places VA Pension

program participants above the poverty line when counting nonwelfare income sources. The following recommendations are offered to improve the VA Pension program:

Recommendation 1: The VA pension eligibility cutoff for veterans places them at 108 percent of the poverty level and spouses at 73 percent of the poverty line. Given the study results showing that 15 percent of veterans and 83 percent of the spouses are at or below the poverty line, Congress should consider increasing the VA pension benefit amount. Survey responses indicate that current benefit levels do not cover basic living expenses for veterans and spouses of veterans, and that those with children are worse off. If Congress intends for the program to meet these needs, VA pension benefits would have to be increased dramatically for spouses and less for veterans. We offer options to VA for increasing benefits up to 185 percent of the poverty line, a level at which the U.S. Department of Agriculture (USDA) provides food benefits. We recommend the USDA standard because more than two-thirds of veterans and three-fourths of spouses use food-related strategies to save money for other living expenses.

Recommendation 2: VA should improve its outreach efforts so that veterans and spouses who are entitled to pension benefits access them. There are three barriers to participation in this program. First, veterans and spouses are not aware of the program. Second, even if they become aware of the program, their age, physical condition, educational level, health status, and general isolation make it difficult for them to pursue the application process and the ongoing eligibility requirements. Third, low-income, elderly individuals tend not to be proactive self-advocates. Rather, they are willing to “make do” and not seek additional assistance from the Government. Given this situation, we recommend that VA conduct pilot tests of various outreach and application improvement strategies.

Recommendation 3: VA should encourage pensioners to submit medical expenses throughout the year instead of its current policy of asking needy pensioners to submit accumulated UMEs at the end of the year. The income level of participating pensioners is too low to expect them to carry the costs of medical expenses until the end of the year.

CHAPTER 1. INTRODUCTION

A. WHAT IS THE VA PENSION PROGRAM?

The current pension program, the Improved Pension, was established by Public Law 95-588 on November 4, 1978. The Improved Pension replaced two predecessor programs, “Old Law” and “Section 306” pensions, and before them, a series of separate pension programs established to address the needs of veterans of specific conflicts. The history of pension programs in the United States dates to the early colonies that cared for injured soldiers for life. Following periods of conflict, beginning with the Revolutionary War, the Congress enacted laws to provide pensions to wartime veterans and to their surviving spouses. Beginning with World War II veterans, Congress established a permanent veteran and survivor program.

The veteran and survivor pension programs were designed to support several important values:

- ◆ Assure a level of income above the minimum subsistence level, allowing veterans and their survivors to live out their lives in dignity and not to have to turn to welfare assistance
- ◆ Provide the greatest pension for those with the greatest need while preserving incentives to work
- ◆ Guarantee regular increases to pensions that fully account for increases in the cost of living.

To be eligible for pension, individuals must meet countable family income (CFI) limits, as defined in Exhibit I.1, and not have excessive net worth. The Department of Veterans Affairs (VA) assesses net worth on a case-by-case basis, considering age and expected longevity to prevent the development of estates for heirs. Generally, pensioners may not have net worth in excess of \$80,000. The Department of Health and Human Services’ (HHS) 2002 poverty guidelines are presented in Exhibit I.1 for contrast with VA’s countable family income limits.

Exhibit 1.1. Annual Countable Family Income Limits—VA Pension Program

Annual Countable Family Income Limits (as of 12/01/2002)			
Status	Countable Family Income (CFI) Limit (12/01/2002)		FY2002
	Veteran	Spouse	HHS Poverty Guideline
Individual—no dependents	\$9,690	\$6,497	\$8,860
Individual plus spouse or one dependent	\$12,692	\$8,507	\$11,940
Housebound—no dependents	\$11,843	\$7,942	\$8,860
Housebound—one dependent	\$14,844	\$9,948	\$11,940
Aid and Attendance—no dependents	\$16,169	\$10,387	\$8,860
Aid and Attendance—one dependent	\$19,167	\$12,393	\$11,940
Increase CFI for each additional dependent	\$1,653	\$1,653	\$3,080

Source: VA Web site

CHAPTER 1. INTRODUCTION

The annual benefit amount of improved pension is determined by computing the difference between the veteran's CFI and the limits in the above table. The difference is usually paid in 12 equal monthly payments rounded down to the nearest dollar. For example, a veteran without dependents who had CFI of \$8,000 per year would receive an improved pension of \$140 per month $([\$9,690 - \$8,000]/12)$. If this veteran's CFI exceeds \$9,690, no benefit is payable. Death pension benefits are computed in the same manner as improved pension benefits. The annual benefit is the difference between the CFI limits shown above and the applicant's CFI. For example, a surviving spouse with no dependents who has annual CFI of \$2,500 would receive a monthly death pension of \$333 $([\$6,497 - \$2,500]/12)$.

As shown in Exhibit 1.2, the number of veterans receiving a VA pension in Fiscal Year (FY) 2002 was 327,867, for an annualized total of \$2,140,262,016 in benefits. The number of spouses for that year was 172,383, for an annualized total of \$574,970,328. The average annual amount of benefits was \$6,528 per veteran and \$3,335 per spouse. Both improved pension and death pension benefits are automatically indexed to the annual increase in Social Security benefits so that adjustments to Social Security (which are included in CFI) do not reduce veteran or survivor benefits.

Exhibit 1.2. Total Number of Recipients of Pension Benefits FY 2002

	Number	Total Annual Amount	Average Amount	
			Annual	Monthly
Veterans	327,867	\$2,140,262,016	\$6,528	\$544
Spouses	172,383	\$574,970,328	\$3,335	\$278

Source: Benefits Delivery Network-RCS 20-0221

B. WHAT ARE THE PURPOSES OF THE EVALUATION?

The purpose of this study is to conduct an objective third-party determination of whether the VA Pension program¹ meets its statutory intent; the intended outcomes of the program; and the expectations of recipients, legislators, program officials, and other stakeholders. This report also addresses the following additional study purposes:

- ◆ Assess the impact of statutes, regulations, significant court decisions, and operations on achieving desired program results
- ◆ Assess the current program outcomes and outcome measures and recommend revisions if necessary
- ◆ Identify and report on the relationship of the VA Pension program with other income support programs available
- ◆ Examine pertinent issues related to the program.

The detailed list of study topics is shown in Exhibit 1.3.

¹ The scope of this evaluation includes VA's two need-based programs: VA Pension program for veterans and surviving spouses and Parents' DIC. This report addresses the Pension program; a separate volume addresses the evaluation of the Parents' DIC program.

Exhibit 1.3. Detailed List of Evaluation Topics for Evaluation of Pension and Parents' DIC Programs

Antecedents	1. Assess situations just prior to participation in programs.
Description	2. Describe and profile program participants.
Outcomes	3. Assess adequacy of program outcomes and outcome measures.
Outcomes	4. Assess extent to which statutory intent, program outcomes, and targets are being met.
Needs	5. Identify needs of participants—met and unmet—and factors associated with differential needs.
Medical care	6. Examine participants' sources of medical care—VA and non-VA—and identify unreimbursed medical care, impacts, and reasons for nonparticipation in VA health care program. Calculate the value of medical care provided by VA and estimate the cost of providing medical care for spouses.
Employment	7. Assess effects of program structure on employment decisions.
Net worth	8. Assess impact of net worth restrictions on applicants.
Satisfaction	9. Assess participant satisfaction.
Relationship to other programs	10. Assess interrelationships between the VA programs and other Federal programs (entitlement, health care, etc.) to determine how well these programs complement one another.
Operations	11. Assess program regulations and operations derived from legislation, their relationship to program outcomes, and their burden on VA and program participants. Compare VA's procedures with other Government income support programs in areas such as cost, income validation, income components/factors, and net worth components/factors. Identify changes to statute or regulation/procedures that could result in VA realizing program improvements and/or time and cost savings.
Projections	12. Project future program participation, given the changes in veteran demographics and the labor market.
Nonparticipation	13. Assess the reasons for nonparticipation.

VA's Office of Policy, Planning and Preparedness contracted with Macro International Inc. (ORC Macro) as the prime contractor for the study with the support of two subcontractors—Economic Systems Inc. and the Hay Group. Under the leadership of the Contracting Officer's Technical Representative (COTR), VA managed the project through a team approach. The VA team consists of evaluators, information specialists, and program specialists who meet regularly to guide and direct the contractors.

CHAPTER 1. INTRODUCTION

ORC Macro is responsible for the overall design of the study, the survey data collection and analysis, and reporting. Economic Systems Inc. is responsible for analysis of extant data, including operations analysis, comparisons with other programs, and analysis of the survey satisfaction data. Hay Group focuses on legislative history, comparative analysis of VA and non-VA benefits, and actuarial projections.

C. WHAT WERE THE STUDY METHODS?

The study used multiple methods to address various research questions, which are summarized in Exhibit 1.4. The study team met with various stakeholders to inform the study design and to assess the appropriateness of the program outcomes that VA established for the program. The following stakeholders and Government oversight agencies provided input into the study design:

- ◆ Office of Management and Budget
- ◆ VA Program Officials
 - Veterans Benefit Administration’s Compensation and Pension Service
 - Baltimore Regional Office
 - St. Paul Regional Office
- ◆ Veterans Service Organizations
 - American Veterans (AMVETS)
 - Paralyzed Veterans of America
 - American Legion
 - Veterans of Foreign Wars
 - Disabled American Veterans
 - Gold Star Mothers
- ◆ Staff of the following congressional committees
 - Senate Veterans Affairs Committee
 - House Veterans Affairs Committee

Exhibit 1.4. Summary of Study Methods

Method	Role in Evaluation
Stakeholder consultations	Inform design Assess outcomes
Survey of participants	Identify antecedent situations Describe participant characteristics Assess outcomes and needs Identify employment situation and decisions Assess health care Identify net worth and effect of restrictions Assess satisfaction
Nonparticipant discussion groups	Identify reasons for nonparticipation

Method	Role in Evaluation
Review of legislation, regulations Discussions with VBA program staff	Identify legislative and regulatory requirements, operationalize requirements, and assess features that support or detract from program outcomes
Analysis of VA health care records	Assess VA health care utilization
Comparative assessment of VA and other Federal need-based programs	Assess relationships between VA and other Federal assistance programs
Census 2000, CPS, and VetPop² model	Make future projections Project nonparticipation

The assessment of the operation of VA's Pension program is based on observations at two regional processing centers and interviews with staff, and interviews with Compensation and Pension (C&P) Service staff at the VA central office (VACO) in Washington, DC. The program's legislative history was assessed through a review of the legislation and regulations. Program outcomes and the outcome assessment are based on discussions with the stakeholder groups and on a conceptual assessment of legislative intent. The actual assessment of outcomes was accomplished through a survey of pensioners conducted through computer-assisted telephone interviews (CATIs). Nationally representative samples³ of 1,305 veteran and 1,294 spouse VA pension recipients as of June 2002 participated in telephone interviews on the following topics:

- ◆ Circumstances leading to the need for benefits
- ◆ Access
- ◆ Characteristics, demographics, and living situation
- ◆ Financial circumstances
- ◆ Health care
- ◆ Employment
- ◆ Met and unmet needs
- ◆ Satisfaction.

Administrative records provided information on levels of benefits, income, and the use of VA health care benefits. Reviews of other Federal benefit programs occurred through literature and regulatory reviews, providing information on how other programs complement the Pension program. The VetPop model was used to estimate future participation levels. Census data was analyzed to develop an estimate of nonparticipation. Two discussion groups were held to address nonparticipation—a discussion group with 6 nonparticipating veterans and spouses who live in subsidized housing in Los

² VetPop is the statistical and actuarial tool that VA uses to project the veteran population at the State level to 2030 by age, gender, and period of service, and includes such important variables as VA disability status, degree of disability, and officer or enlisted status at the national level. VetPop2001Adj projections have recently been adjusted on the basis of the 2000 Census.

³ The pension respondent group included three samples each for veterans and spouses—nationally representative samples of all participants and separate nationally representative samples of recent participants and participants with dependent children. See Appendix A for more detailed information on the study samples.

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Angeles and a focus group of 12 caregivers in the Washington, DC area who manage the affairs of nonparticipating veterans and spouses. Together, these methods produced a comprehensive assessment of the VA Pension program.

The exhibits in this report aim to highlight and synthesize the survey findings. Therefore, the percents in some exhibits may sum to less than 100 because we excluded the less frequent or less important findings, or they may sum to more than 100 because respondents could sometimes choose more than one response. The tables referenced in Appendices D and E provide both the number and the percentage of the total sample that responded to the study survey and account for 100 percent of the responses. Not all reported findings are based on the survey tables in Appendices D and E; different timeframes,⁴ data sources,⁵ and methods of analysis⁶ produced some results that differ from the survey tables.

D. REPORT OVERVIEW

This report contains 10 chapters addressing the key study findings, plus appendices containing supporting documentation. The chapters following this introduction are:

- ◆ Program goals, outcomes, and measures
- ◆ Access, participation, and nonparticipation
- ◆ Description of veteran and spouse pensioners
- ◆ Assets, expenses, and debt
- ◆ Income
- ◆ Operations
- ◆ Needs
- ◆ Satisfaction
- ◆ Conclusions and recommendations.

⁴ Most results are based on the study sample period (June 2002), but some analyses use data for different periods (e.g., calendar year and fiscal year).

⁵ The study used numerous data sources including the study survey, administrative records, census, and other data.

⁶ For instance, calculation of percentages on the basis of respondents to a particular item differs from percentages based on all survey respondents.

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

A. WHAT IS THE STATUTORY INTENT OF THE VA PENSION PROGRAM?

Beginning with the Revolutionary War, pensions have been provided to veterans and survivors following every major conflict in which American servicemembers have participated. As Exhibit 2.1 illustrates, however, many years often elapsed between the termination of hostilities and the enactment of a pension law for veterans and surviving spouses. Not until World War II was a pension benefit law enacted during the period of war.

Exhibit 2.1. Elapsed Years from the End of the Period of War to First Enactment of Pension Legislation

Period of War	Number of Years Before Veteran Pension Law Enacted	Number of Years Before Survivor Pension Law Enacted
Revolutionary War (1775–1784)	34 years	52 years
War of 1812 (1812–1815)	56 years	56 years
Mexican War (1846–1848)	39 years	39 years
Indian Wars (1817–1898)	50 years	50 years
Civil War (1861–1865)	25 years	25 years
Spanish-American War* (1898–1902)	18 years	16 years
Mexican Border Period (1916–1917)	53 years	53 years
World War I (1917–1918)	12 years	16 years
World War II (1941–1945)	Enacted before end of period of war	Enacted before end of period of war
Korean Conflict (1951–1953)	Enacted before end of period of war	Enacted before end of period of war
Vietnam Era (1964–1975)	Enacted before end of period of war	Enacted before end of period of war
Gulf War Era (1991–present)	Enacted before end of period of war	Enacted before end of period of war

* Includes Boxer Rebellion and Philippine Insurrection.

Source: Ilona N. Rashkow, Congressional Research Service, The Veterans Pension Program Past, Present, and Future, April 16, 1976, Revised November 25, 1977, p. 26

The historical summary through the Korean Conflict reveals three important trends in the development of the veteran Pension program. First, as illustrated in Exhibit 2.1, before World War I, pension laws were enacted years after the end of the period of war, when there were relatively few remaining veterans who were eligible for benefits. This approach began to change when pensions for World War I veterans were enacted 12 years after the War, and a permanent Pension program has been in place continuously since World War II.

Second, before the Pension program for the Civil War veterans, there was no requirement for disability in order to receive a pension. However, the time elapsed between termination of war and the enactment of pensions meant that the eligible veteran population still living would be smaller and have a higher incidence of infirmities. For more recent conflicts, Pension program laws were enacted sooner,

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thus the potentially eligible veteran population was younger and an explicit requirement for disability was appropriate.

Third, until World War I, demonstration of need was not an explicit requirement for eligibility, although there was an implicit understanding that the advanced age and/or fragile health of most eligible veterans would render them unable to earn a living.

Some characteristics of the Pension program in place at the end of the Korean Conflict had begun to raise concerns.

- ◆ The Pension program was all-or-nothing. Veterans whose incomes just exceeded the limits received no benefits, while those with incomes just below the limits received full benefits in addition to any income earned. For example, by 1954, otherwise qualified single veterans with an annual income of \$1,399 received a pension in addition to their income, while veterans with an annual income just over \$1,400 received no pension.
- ◆ Benefits were not directly related to the financial needs of qualifying veterans. Benefit rates did not vary on the basis of the amount of the veteran's income or on the number of dependents. Neither the veteran's assets nor the assets of a spouse or other dependents were considered. However, the flat rate benefit system did not eliminate the incentive to work as long as the income earned did not push the veteran over the eligibility thresholds. There was no dollar-for-dollar reduction in pension for each additional dollar of income.
- ◆ There was neither a prescribed basis for evaluating whether the pension provided an adequate standard of living nor a means of maintaining a standard over time.

In 1955, President Eisenhower appointed the Commission on Veterans' Pensions, also known as the Bradley Commission, to review the veteran benefit programs. The Commission issued many recommendations intended to address what it believed were the major shortcomings of the existing Pension program. First, the Commission believed that allocation of pension should be targeted to provide the greatest benefit to those with the greatest financial need, where need is based on both income and assets. Second, the pension amount should be determined on a sliding scale, with only a partial offset for earned income so that there is an incentive for self-support through work. Third, only those who are incapable of rehabilitation and are unemployable should be eligible for pension. Fourth, benefit amounts should vary on the basis of family size.

The resulting Veterans' Pension Act of 1959 addressed some but not all of the previous program's shortcomings. The new pension benefit was a three-tier program that included increased benefits for larger families and for veterans who needed regular aid and attendance or were housebound. Eligibility for benefits and the benefit amount considered both the veterans' and the spouses' countable income.

Between 1964 and 1977, the pension law was amended nine times. The layering of these changes ultimately resulted in what Congress believed were inequities, anomalies, and distortions in the system. Congress, the Department of Veterans Affairs (VA), and stakeholders cited the following criticisms of the Pension program:

- ◆ Pension benefits were inadequate. The maximum benefit level for a veteran with no outside income was below the poverty level. Pensions for veterans with dependents and for surviving spouses were also below the poverty level.

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

- ◆ The multiple benefit increments and income decrement formulas were nearly impossible for veterans to understand.
- ◆ Cost-of-living increases in Social Security benefits were usually offset by reductions in pension.
- ◆ Benefits received were not always closely aligned with need. Exclusion from income of 10 percent of retirement income and all of a spouse's earned income resulted in payment of pensions for veterans whose non-pension income was well above the poverty level.
- ◆ Assets of the veteran's dependents for whom pension was payable were not included in the determination of eligibility.
- ◆ There was no provision for automatically adjusting or indexing pension rates.

In 1977, both the House and Senate introduced pension reform legislation. There was general agreement on the fundamental issues that needed to be resolved in the new law. They were the following:

- ◆ Assure a level of income above the minimum subsistence level, allowing veterans and their survivors to live in dignity and not have to resort to welfare assistance
- ◆ Provide the greatest pension for those with the greatest need while preserving incentives to work
- ◆ Guarantee regular increases to pensions that fully account for increases in the cost of living.

The Improved Pension authority provided a benefit level that was above the poverty level for veterans, but not for surviving spouses. Exhibit 2.2 illustrates the relationship between benefit amounts and the poverty level for family sizes of one and two in the new law. The veteran benefit was 13 percent above the poverty level for a family of one, but the benefit for a surviving spouse alone was nearly 25 percent below the poverty level.

**Exhibit 2.2. Improved Pension Compared with Poverty Level—1977
(Public Law 95-588 as Enacted)**

Family Size 1 (Poverty Level = \$3,140)				Family Size 2 (Poverty Level = \$4,160)	
Veteran		Surviving Spouse		Veteran with Spouse or Child	
Improved Pension Benefit	Difference from Poverty Level	Improved Death Pension Benefit	Difference from Poverty Level	Improved Pension Benefit	Difference from Poverty Level
\$3,550	13.1%	\$2,379	-24.2%	\$4,651	11.8%

Source: Study Team

The new benefit also recognized, through larger benefits, the increased income demands of a larger family, the need for aid and attendance, and being permanently housebound.

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Need was recognized through consideration of income and assets. Income and assets included the veteran's, the spouse's, and the children's income and assets if they were available to the veteran. Preservation of value was incorporated through automatic indexing to Social Security benefit cost-of-living adjustments. Consequently, no veteran lost any purchasing power when Social Security benefits were increased.

Public Law 90-77 (August 31, 1967) added attainment of age 65 as a basis for determining eligibility for pension. This feature was repealed in 1990,¹ but in 2001, Public Law 107-103 enacted statutory attainment of age 65 as a basis for eligibility for veterans.

Pensions for wartime veterans with nonservice-connected disabilities and for their survivors evolved over a long period of American history. The purposes and desired outcomes for the Pension program also evolved, particularly after World War I, when a permanent Pension program was enacted. Transitioning from Old Law Pension to Section 306 Pension to Improved Pension, Congress's views converged on the program features it believed were essential. The Improved Pension Program was constructed to reflect these values of ensuring a minimum level of income, to size benefits to need and preserve work incentives, and to sustain benefit value and purchasing power.

B. WHAT ARE THE PENSION PROGRAM OUTCOMES AND MEASURES?

The program outcomes for the VA Pension program, developed by VA in consultation with stakeholders before the start of this study, are the following:

Exhibit 2.3. Outcomes for the VA Pension Program

VA Pension Outcomes
Access Veterans and their families get the information and help they need to access, understand, and participate in the Pension program and related health care options.
Income VA pension provides entitled wartime veterans and survivors the income they need to afford the basic necessities for themselves and their families.
Basic Security Pensioners and their families can rely on the financial continuity and stability of VA pension in time of need.
Dignity VA pensioners are accorded the dignity and respect earned through the veteran's service to our Nation during wartime.

Our review of the legislative history indicates that the Pension program is intended to help veterans and their families maintain a reasonable standard of living so that they do not have to resort to welfare assistance. However, the legislation for the Pension program does not provide a specific standard to

¹ By the Omnibus Budget Reconciliation Act (OBRA) of 1990, Public Law 101-508

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meet or exceed, such as the poverty level threshold. The level of funding for the program establishes benefit levels. In 1977, when the last major reform occurred in the Pension program, funding levels placed veterans at 13 percent above poverty level and spouses at 24 percent below the poverty level (Exhibit 2.2). In 2002, the income limits for pension eligibility were 8 percent above poverty level for a veteran and 27 percent below poverty level for a spouse.² Whether these income levels can be expected to provide a basic level of maintenance is questionable. Hence, it is difficult to determine definitively whether program goals are being met.

The legislative intent also includes three other elements that dictate outcomes; they are the following:

- ◆ Pension benefits should not replace work and earnings from work.
- ◆ Pension benefits should provide recognition for the veteran's service to the Nation as well as for the loss of a veteran spouse who had served our country during wartime.
- ◆ Pension program should guarantee regular increases in pension benefit amounts that fully account for increases in the cost of living.

Access

1. What percentage of the eligible population participates in the VA Pension program?

According to the results of this study, 27 percent of veterans and 14 percent of the eligible spouses population participate in the VA Pension program. We do not know enough about the eligible unserved population to recommend a particular target for the participation rate. For example, we do not know the potential level of interest for unserved eligible veterans and spouses to participate in the program. However, the current participation rates are so low that effort should be made to increase them, and the results of such effort should be reviewed to further specify the goal for participation. Comparatively, 32 percent of the population eligible for food stamps participates in the Food Stamp Program. Initiatives are now underway at the Food and Nutrition Service (FNS) to increase the participation rate in the Food Stamp Program.

2. Are eligible veterans and spouses aware of the VA Pension program?

Since only 27 percent of the eligible veterans and 14 percent of the eligible spouses population participated in the VA Pension program in 2001, the implication is that awareness is low. About 51 percent of the veteran survey respondents and 32 percent of the spouse survey respondents said they were eligible to receive a VA pension for an average of 11 and 5 years, respectively, before they applied. About one-third of the veterans who did not apply when they first became eligible said they did not apply sooner because they were not aware of the program, 6 percent did not know how to apply, and 20 percent thought they would be ineligible. Nearly a quarter of the spouses who did not apply for benefits when they first became eligible because they were not aware of the program, 15 percent thought they would not be eligible, and 10 percent did not know how to apply.

² 2002 income eligibility cutoff for a single veteran is \$9,566 and \$6,497 for a spouse. The Department of Health and Human Services Poverty Guidelines for 2002 is the poverty level, line, and guideline used in this report. For families in the U.S. mainland, the poverty line is $\$8,860 + (\text{family size} - 1) * 3080$. For families in Alaska, the poverty line is $\$11,080 + (\text{family size} - 1) * 3850$. For families in Hawaii, the poverty line is $\$10,020 + (\text{family size} - 1) * 3,540$. We used survey data to determine household size.

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3. Do eligibility determination and income verification facilitate access to the program?

Some stakeholders expressed concern that burdensome aspects of the eligibility determination process may adversely affect timely access to the benefits.

One measure of the access outcome is the participant's satisfaction with the application process. Recent program beneficiaries (who began receiving benefits after 2000) were asked to recall their more recent enrollment experiences with the VA application process. The enrollment experiences of these veterans and spouses suggest that most new beneficiaries perceive the application process to be relatively easy, meeting some degree of difficulty in getting responses back from VA on the status of applications and in completing the necessary income and medical documentation. However, about 95 percent of the recent applicants also said that they had assistance in the application process. Eligible nonparticipants in focus groups expressed concern about the length and complexity of the application. Eligible nonparticipants were apprehensive about whether it would be worth the effort to complete the form—whether they would they be eligible, whether VA benefits would reduce the other types of need-based assistance they already receive, and how long it would take to assemble the information and learn the outcome.

The amount of time that it takes VA to start dispensing the benefit affects the outcome of VA's obligation to deliver benefits effectively—making sure that the benefit is delivered on time and determining that only eligible applicants receive the correct benefit. Recent data (2002) show that VA takes 122.4 days to process an original claim for pension benefits for veterans and 133.7 days for spouses. Compared with other programs, Supplemental Security Income (SSI) applicants wait 90 to 120 days for the initial claim; the Department of Housing and Urban Development (HUD) can take 3 to 5 years to provide housing assistance, depending on housing availability, but determines eligibility within 30 days; and the Department of Agriculture's (USDA) Food Stamp Program, by law, is required to process applications within 30 days.

The study team's assessment of the access outcome is that once an applicant is found eligible for the Pension program, VA has effective procedures and processes to provide relevant information about the program, verify overpayment amount, or deny benefits to ineligible applicants. Our analysis also reveals that VA can do a better job reaching the members of the unserved population who either are not aware of the program or do not think that they are eligible.

Compared with other assistance programs, the income verification process for VA is less cumbersome. VA income verification (which is conducted annually) requires manual entry of the first-time claim information into the system, but subsequent verifications are more automated. The SSI program requires income-matching monthly, which creates extra effort from the recipient and SSI employees. The HUD and food stamp programs require recertification every 3 months and monthly, respectively, although some food stamp programs relaxed the requirement to every 3 months.

Income Support

I. What is the total annual income of participants in the Pension program? Is it enough to provide the basic necessities of living?

The pension benefit payment is tied directly to the participant's income. While the legislation does not specify a certain standard for income support, a reasonable interpretation of the legislation is that veterans and their families should have sufficient income to meet a basic standard of living. As stated previously in the discussion of legislative intent, the program intends to provide the pension benefit recipients with the income they need to afford the basic necessities for themselves and their families.

The study team recommends using the poverty guideline³ as a reference in gauging the income support outcome, as many other assistance programs do. Only 17 percent of surviving spouse and 85 percent of veteran Pension program participants meet or exceed the poverty level. Welfare assistance from other non-cash programs such as food stamps and housing assistance increases this percentage to only 23 percent for the spouses and 86 percent for the veterans. The VA pension benefit constitutes an average of 51 percent of veterans' and 42 percent of spouses' total household income, including the cash value of assistance from programs such as food stamps and housing assistance.

The expectation that deceased veterans were a source of financial support for needy spouses is substantiated by the survey. More than half (59%) of the spouses received all of their income from the deceased veteran before his or her death, and nearly all (90%) received some financial support from the deceased veteran when he or she was alive. Thirty-eight percent of the spouses who began receiving benefits in 2000 reported a decrease in their current household income, compared with their income before they received VA benefits, and the decrease was about 27 percent. The pension benefits spouses receive are intended to compensate for the loss of income from the deceased veteran, but overall, the current income of spouses is 79 percent of the income they reported when the veteran was alive. The average age at which spouses begin receiving pension benefits is 65, and one-third of the spouses reported that they met the need requirements for the program on average at the age of 57. The average age they were widowed is 55. The low educational levels of spouses (60 percent do not have a high school diploma, and 26 percent have an eighth-grade education or lower) and the death of their spouse are likely explanations of their financial need before age 65. If the veteran were alive, he or she would probably contribute to the financial support of such spouses before age 65 and into the older years.

Veterans who began receiving benefits in 2000 report that VA pension improved their financial situation. Veterans' pension compares favorably to non-VA cash benefit programs for maximum benefit amounts, but the spouse's pension does not. The maximum benefit amount of \$541 per month (effective December 1, 2002) for a spouse with no dependents is almost the same as the maximum SSI amount of \$545 per month for a single person. The SSI program is intended as the program of "last resort" for the needy population. However, spouses who receive a VA pension may not qualify for SSI benefits because SSI would count the VA pension as income against SSI.

³ The poverty line is based on the Department of Health and Human Services Poverty Guidelines for 2002. For families in the U.S. mainland, the poverty line is $\$8,860 + (\text{family size} - 1) * 3,080$. For families in Alaska, the poverty line is $\$11,080 + (\text{family size} - 1) * 3,850$. For families in Hawaii, the poverty line is $\$10,020 + (\text{family size} - 1) * 3,540$. We used survey data to determine household size.

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Spouses' incomes, on average, are less, compared with their counterparts in the elderly,⁴ means-tested⁵ population. Comparing the veteran pension participants with the general elderly, means-tested population who receive assistance from Federal programs, the picture is mixed. On one hand, there are fewer veteran pensioners living at or below the poverty line, compared with the general elderly, means-tested population; the average income of poor (those at or below the poverty line) veteran pensioners is higher than the average income of the poor general elderly means-tested population. On the other hand, the average income of nonpoor veteran pensioners and of overall veteran pensioners is much less than the average income of the general means-tested populations. Veteran pensioners are also less likely to have earned income and other retirement income than the general elderly, means-tested population.

2. Has the program effectively increased income for participants, which they would not have without the program?

The answer to this question is largely yes. On average, the Pension program provides about half (51%) of the veterans' income and almost half (42%) of spouses' income. Without the pension benefit, veterans and spouses would have much smaller cash incomes and would have to go on welfare, which is contrary to the intent of the program. If veterans and spouses received cash income from welfare, it would most likely be from the Supplemental Security Income Program, which has lower benefits than VA pension for veterans and slightly higher benefits than VA pension for spouses.

3. Is income support greater for those with greater needs?

Pension benefit levels are tied to income. Pension applicants with higher incomes receive lower benefit amounts, which indicate that greater support is provided for those with greater need. The pensioners' medical expenses reduce countable income, also providing greater support to those with greater need. Veterans and spouses with incomes above maximum limits are determined ineligible for benefits.

Basic Security

I. Do participants have a stable, long-term financial situation?

While pension benefits are relatively modest, the program offers a stable source of income for participants. Ninety-two percent of the veterans and 90 percent of the spouses who participate in the program receive the benefit continuously. Almost half of veterans (48%) and 57 percent of spouses have been receiving the benefit for more than 5 years. Nine percent of veterans and 15 percent of spouses have been receiving the benefit for more than 20 years. The average time during which pensioners receive benefits is about 8.3 years for veterans and 8.6 years for spouses.

⁴ In this study, we define elderly as anyone 65 years old or older.

⁵ The "means-tested general population" refers to those in the general population who receive Supplemental Security Income, welfare/Temporary Assistance for Needy Families, food stamps, or housing subsidy. All of these Federal benefits are based on economic need and applicants must demonstrate financial need to receive them. We use "need-based" as synonymous with means-tested in this report.

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2. Does the program provide regular increases to the benefit amounts that fully account for increases in the cost of living?

The program is indexed the same way among survey respondents who began receiving benefits at least two years ago, as Social Security so that the purchasing power of the pension benefit does not erode over time. Among survey respondents who began receiving benefits at least two years ago, veterans and spouses who began receiving benefits at least two years before the survey period were asked about how well benefit increases keep up with cost-of-living increases. However, 25 percent of the veterans and 21 percent of the spouses feel that pension benefit amounts do not keep up with their overall increases in living expenses at all. In addition, 46 percent of veterans and 53 percent of spouses indicate that the increases in benefit amounts cover only some of their living expense increases.

3. Does the program provide a basic sense of financial security to pensioners?

Pension beneficiaries believe that their benefit provides either moderate or little financial security. Overall, 54 percent of veterans and 48 percent of spouses surveyed rate their benefit as providing moderate or little financial security, and 17 percent of veterans and 13 percent of spouses rate their benefit as providing none or very little financial security. In assessing their financial situation, 44 percent of the veterans and 43 percent of the spouses surveyed can afford only the basic necessities, having little or no money left for other expenses, while 20 percent of veterans and 25 percent of spouses indicate that their lifestyle is defined by having to make major sacrifices and cut back on necessities. Only 13 percent of the veterans and 10 percent of the spouses say they can take care of their living expenses and have some money left over. Consequently, this program provides some financial security but does not produce much financial security.

Work

Do VA Pension benefits displace work?

Work displacement is not an issue in this program. The average age of participants is 68 for veterans and 71 for spouses; 63 percent of veterans and 72 percent of spouses are over age 65. The 37 percent of veterans and 28 percent of spouses who are under age 65 include only 5 percent of veterans and 12 percent of spouses who are working or looking for a job. Among those who are under age 65 and not looking for a job, 95 percent of veterans and 71 percent of spouses reported that they have disabilities or health problems that prevent them from working. Only 10 percent of spouses and 35 percent of veterans reported that they enrolled in the program because they stopped working. Among those who stopped working, almost all (91%) the veterans and almost two-thirds of spouses (64%) did so for health reasons. Among those not looking for work, 2 percent of veterans say they are not looking for work because every dollar earned would reduce their pension; 7 percent of spouses not looking for work gave this answer as well (Appendices D and E, Table 57.3).

CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

Recognition

Does VA Pension provide recognition for the loss of a spouse to military service or for the veteran's own service to our Nation?

Most survey respondents (90% of spouses and 86% of veterans) stated that the Nation recognizes their veteran's service to our country. Nearly all veterans and spouses report pride in service to our country: 98 percent of veterans say they are proud to be a veteran and 97 percent of spouses say they are proud to be the spouse of a veteran.

C. HOW SHOULD THE OUTCOMES BE MONITORED?

The study team recommends a select group of outcome measures to be used for ongoing monitoring of outcomes in the Pension program. The select measures, based on VA administrative data and secondary data sources, include the following:

- ◆ Percentage of program participants at or above the poverty level
- ◆ Percentage of program participants at or above the poverty level, compared with the means-tested, elderly population
- ◆ Percentage of the eligible population participating in the program

These measures would be calculated similarly to the methods used in the present study.⁶ The following select measures could be obtained through annual or regular recurring surveys of program participants:

- ◆ Percentage of program participants who feel that they can afford the basic necessities—food, housing, medical care, heating and cooling services (where appropriate), and electricity
 - Food should be measured as enough money to obtain balanced meals.
 - Housing should be measured as enough money for safe and decent shelter without crowding.
 - Utilities (heating, cooling, and electricity) should be measured as enough money to pay for heating, cooling services (where needed) and electricity.
 - Medical care should be measured as enough money to provide needed medical services, including regular checkups, prescriptions, eyeglasses, and dental care.
- ◆ Average level of satisfaction with VA services
- ◆ Average level of overall satisfaction with the program.

The annual outcome measures constitute only a small subset of the measures analyzed in the evaluation, but they focus on the key outcomes that are of ongoing interest to VA and Congress.

⁶ Since the evaluation includes future projections of eligibles, it is not necessary for VA to re-calculate participation. Rather, VA can compare actual participation against the future projections of all eligibles contained in this report.

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The effort for producing the annual measures can draw on the work done in the evaluation. VA could analyze its administrative data and the Current Population Survey (CPS).⁷ It could administer a survey to obtain participants' assessments of outcomes relative to their needs. The survey questions would be limited to the brief set of measures listed above and would not constitute the extensive questioning that occurred in the evaluation. We encourage VA to use a mail survey to collect this data, with electronic scanning to record answers. The mail survey can be sent with the Eligibility Verification Reports (EVRs) or as a separate mailing to a nationally representative sample of pensioners. The minimum sample size should be about 400 to provide reliable national estimates within 4 percent error rate at the 90 percent confidence level. The survey should be conducted periodically—at least every 3 to 4 years—to monitor the adequacy of benefits relative to participants' needs. If major policy changes occur in programs affecting beneficiaries (e.g., increases in Medicare copayments, reductions in Social Security cost-of-living adjustments), VA should survey participants to assess whether the pension benefit adequately meets their needs.

The cost for ongoing performance monitoring is estimated at about \$150,000 per year⁸ for each group (veterans and spouses) to include analysis of administrative and CPS data and to conduct and process participant surveys.

⁷ CPS is a monthly survey conducted by the U.S. Census Bureau of the U.S. civilian, noninstitutionalized population.

⁸ Our estimate is based on the following breakdown: Survey—\$85,000; CPS analysis—\$20,000; Administrative data analysis—\$20,000; and Synthesis of results—\$25,000. Actual costs could vary, depending on approaches used.

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This chapter focuses on how VA pension recipients gain access to and begin to participate in the VA Pension program. It depicts factors influencing respondents' decision to access the program, summarizes strategies that they use to access the program, and presents their ratings of the application process. It also addresses the issue of nonparticipation—how many eligible veterans and spouses of deceased veterans fail to participate in the program and why.

A. HOW DO RESPONDENTS BECOME AWARE OF THE VA PENSION PROGRAM?

Exhibit 3.1 presents veterans' most cited information sources for finding out about the VA Pension program. Overall, most of the veterans surveyed became aware of the VA Pension program through the Department of Veterans Affairs (VA) (43%) or Veteran Service Organizations (VSOs) (24%). However, no one learned about the program from the VA Web site. Veterans 80 years of age or older are less likely to learn about the VA Pension program from VA (37%) or VSOs (19%) than younger respondents (Appendix D, Table 7).

Exhibit 3.1. Most Cited Information Sources for Finding Out About VA Pension Program

Organizations or Individuals	Percentage of Veterans	Organizations or Individuals	Percentage of Spouses
VA	43.1%	Spouse received pension, so was aware of the program	35.9%
Veterans Service Organizations	24.4%	VA	33.6%
Hospital	12.3%	Family	12.5%
Friends	8.3%	Friends	10.5%
Military	7.7%	Veterans Service Organizations	9.7%
Social Security office	6.4%	Social Security office	5.2%
Family	5.2%	Funeral home	4.2%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 7

A different pattern of the results was found for the spouses. Overall, most of the spouses surveyed became aware of the VA Pension program because the deceased veteran was receiving VA pension (36%) or they learned about the program directly from VA (34%). However, less than 10 percent learned of the program through a VSO; no one became aware of the program from the VA Web site. Spouses with children are more likely to become aware of the program from the deceased veterans (43%) (Appendix E, Table 7).

B. WHAT ARE THE CIRCUMSTANCES LEADING UP TO PARTICIPATION IN THE VA PENSION PROGRAM?

Veterans most often apply to the program either due to a serious illness (62%) or because they recently became aware of the program's existence (54%) (Exhibit 3.2.a). Veterans also apply for VA pension benefits because they stop working (35%), lack sufficient financial resources (21%), or because their savings and investments are depleted (13%). The vast majority of the veterans who apply for the pension because they stop working do so for health reasons or because of a disability that prevents them from working (91%) (Appendix D, Table 4.6.1). Interestingly, the percentage of veterans who apply for VA pension due to serious illness decreases by age group. Seventy percent of veterans younger than 64 years of age, 60 percent of those aged 65–79, and 52 percent of veterans 80 years of age or older apply for the benefit due to health conditions (Appendix D, Table 4). However, veterans 80 years of age or older are more likely to apply, due to the lack of sufficient financial resources (28%) or because of their depleted savings and investments (17%), than younger respondents.

Exhibit 3.2.a. Reasons Most Cited by Veterans for Applying for VA Benefits

Circumstances That Lead Veterans To Apply for VA Benefits	Percentage of Veterans
Serious illness, deteriorating health, or chronic health condition	62.2%
Found out that they might be eligible for the benefits	54.2%
Stopped working	35.2%
Insufficient income and no investments, savings, or assets	21.3%
Used up investments, savings, or assets	12.6%
Turned 65 years of age	12.0%

Source: Survey of Veteran Pensioners, Appendix D, Table 4

Conversely, spouses most often apply to the program due to the death of the veteran (80%) (Exhibit 3.2.b). Other most frequently cited reasons to apply for VA pension benefits include becoming aware of the program's existence (33%), lack of sufficient financial resources (32%), serious illness (29%), depletion of the savings and investments (20%), and spouses stopping work (10%). Most of the spouses who apply for the pension because they stop working do so for health reasons or because of a disability that prevents them from working (64%) (Appendix E, Table 4.6.1). Similarly to the veterans, the percentage of spouses who apply for VA pension due to serious illness decreases with age. One-third of spouses younger than 65 years of age, 29 percent of those aged 65–79, and 28 percent of spouses 80 years of age or older apply for the benefit due to health conditions (Appendix E, Table 4). However, spouses 80 years of age or older are more likely to apply due to insufficient financial resources (34%) than younger respondents. Spouses with children are the most likely to apply for the program because they do not have sufficient financial resources (45%).

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Exhibit 3.2.b. Reasons Most Cited by Spouses for Applying for VA Benefits

Circumstances That Lead Spouses to Apply for VA benefits	Percentage of Spouses
Death of the veteran	80.4%
Found out that they might be eligible for the benefits	33.3%
Insufficient income and no investments, savings, or assets	32.5%
Serious illness, deteriorating health, or chronic health condition	29.4%
Used up investments, savings, or assets	19.7%
Stopped working	10.3%
Turned 65 years of age	6.6%

Source: Survey of Spouse Pensioners, Appendix E, Table 4

C. WHAT IS THE APPLICATION EXPERIENCE?

The overall percentage of respondents who applied to the VA Pension program since 2000 is 21 percent (the same percentage of veterans and spouses). These recent pension recipients were asked in the survey to recall their application experiences to ascertain the conditions under which they applied for the program. The largest percentage of new enrollees (47% of veterans and 40% of spouses) applied for the VA pension in person (Appendices D and E, Table 9). About one-third (29% of veterans and 33% of spouses) indicate that someone applied to the program on their behalf. Twenty-two percent of respondents (the same percentage of veterans and spouses) filled out an application and mailed it in. No one applied for VA pension using the Internet.

Recent program beneficiaries (who began receiving benefits in 2000) were also asked to recall their experiences with the pension application process. Most new beneficiaries perceive the application process as being relatively fast and easy. Most of the recent program recipients find the time between applying for and receiving VA benefits to be either what they expected (38% of veterans and 43% of spouses) or even shorter than they expected (26% of veterans and 24% of spouses) (Appendices D and E, Table 77). A substantial minority of the recent beneficiaries find the time between applying for and receiving benefits to be longer than expected (30% of veterans and 25% of spouses) and report that delays in receiving VA benefits caused them difficulty paying for their living expenses (83% of veterans and 56% of spouses).

In addition to the perceived quickness of the VA application process, about three-fourths of the newly enrolled recipients have positive views of the overall application process, including finding out and applying for VA pension benefits (69% of veterans and 82% of spouses rate the overall process as very easy, easy, or somewhat easy) (Appendices D and E, Table 76). A majority of the recent program beneficiaries also rate other aspects of the application process as easy, somewhat easy, or very easy. However, the pattern of the results is different for veterans and spouses. Veterans are likely to positively rate getting help from VA or VSO staff in obtaining information and filling out forms (80%), filling out the application (77%), calling the VA toll-free telephone number (65%), trying to find out about VA benefits (62%), and completing and sending other forms and documents needed to prove eligibility (61%). The veterans give less positive ratings to the processes of getting information from VA about the

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status of the application in the review process (54%), understanding how eligibility and benefit amounts are determined (49%), and completing and sending medical expense documents (44%). Most spouses are likely to positively rate finding out about VA benefits (82%), getting help from VA or VSO staff in obtaining information and filling out forms (79%), filling out the application (76%), completing and sending other forms and documents needed to prove eligibility (68%), calling the VA toll-free telephone number (63%), getting information from VA about the status of the application in the review process (62%), and understanding how eligibility and benefit amount are determined (60%). A smaller majority of spouses rate the process of completing and sending medical expenses documents (52%) as somewhat easy, easy, or very easy.

Despite the reported ease of the various aspects of the application process, 94 percent of the new enrollees (the same percentage of veterans and spouses) report needing help with the application process. Of those who need help, 93 percent of veterans and 97 percent of spouses get help from someone (Appendices D and E, Table 10.1). The most frequently used source of assistance is VA (58% of veterans and 56% of spouses), followed by VSOs (22% of veterans and 15% of spouses), and family members (7% of veterans and 18% of spouses). However, respondents 80 years of age and older are less likely to receive help from VA (48% of veterans and 44% of spouses) or VSOs (20% of veterans and 7% of spouses) than younger respondents. Furthermore, spouses 80 years of age and older are more likely to rely on family (30%) than younger respondents.

D. WHAT ARE THE PROJECTIONS FOR FUTURE PARTICIPATION?

One study requirement is to provide a projection of the number of recipients of Improved Pension for veterans and of pension for spouses through 2020. The underlying premise for the analysis is to understand how changes in demographics and labor market forces will affect the number of program participants receiving benefits. As labor markets tighten and slacken, the effects on earned incomes can have secondary impacts on the number of individuals who satisfy the income limits for each program.

Our intended approach was to analyze local unemployment rates with additions to and terminations from the pension rolls to determine whether regional variances in program participation are explained by regional changes in unemployment. However, VA was not able to provide local level data on pension program adds and drops. Without local data, we were left with analysis of national level data. We were unable to detect any statistical relationship between changes in program participation and employment, primarily because there was little variability in national unemployment rates during the years we examined.

Because we were unable to obtain information on the past interaction of veterans' pension and the labor market, we are unable to include any influence that labor markets may have on the number of program participants. Although our projection does not explicitly include labor market factors, it includes the influences of demographics.

Despite the lack of a more robust analysis, the survey results we obtained and the smooth growth in program participation over recent years lead us to conclude that economic factors such as unemployment do not have a significant impact on qualification for pension benefits.

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During the early phases of our analysis and data collection, the VA Office of the Actuary recommended that the Study Team use a recent PricewaterhouseCoopers (PWC) report, which projects future benefit liabilities in conjunction with VA's financial statements. This report includes a projection of the number of veterans and surviving spouses who receive pension benefits through 2025. The projections are based on a veteran population projection known as VetPop2001. VetPop2001 is an actuarial model for estimating and projecting the number of veterans for the next 100 years. The model is based on veteran data collected from the decennial census, the Department of Defense, and the VA Compensation and Pension Service. VetPop2001 provides current profiles and projections of the veteran population that consider classification variables such as age, gender, period of service, disability status, and whether the veteran is living or deceased. The model also provides projections of dependents and survivors.

The projections assume a continuing improvement in life expectancy. After reviewing the PWC report and the underlying projection assumptions and methods, we conclude that the report presents valid projections of the number of pension beneficiaries.

We also use the PWC report as a basis for projecting the duration, which is the average number of years that veterans or surviving spouses or children will receive pension once they qualify for benefits. The PWC report is a "closed group"¹ projection and, as such, understates the projected number of veterans who ultimately receive a pension.

The PWC projection for pension includes all three pension programs, Section 306 Pension, Protected Pension (also known as "Old Law"), and Improved Pension. Our projection modifies the PWC figures to estimate the number of beneficiaries who will be receiving Improved Pension only. Approximately 95 percent of pension recipients are receiving Improved Pension in 2003, and this proportion will increase as mortality thins the ranks of the older program beneficiaries. However, even by 2025, we believe that a small number of these beneficiaries will remain on the rolls. Consequently, we assume that by 2025, 0.5 percent of all pension beneficiaries will participate in either the Section 306 or the Protected Pension program. Applying this assumption to the PWC projection of total pension beneficiaries results in the projection through 2014 shown in Exhibit 3.3.

Exhibit 3.3. Projected Number and Duration of Veterans Receiving Improved Pension, and Number if All Eligibles Participated

Year	Number of Beneficiaries	Average Duration (Years)	Number of Beneficiaries if All Eligibles Participated
2003	317,000	7.0	1,205,000
2005	331,000	6.8	1,180,000
2010	290,000	6.5	1,038,000
2014	255,000	6.2	910,000

Source: Study Team from VBA data and PricewaterhouseCoopers Report Estimates rounded to the nearest thousand

¹ A closed group projection assumes that there will be no new entrants, counting only current veterans and service members. Therefore, the first few years of the projections are the most accurate, and future projections tend to understate participation.

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The third column in the exhibit is the average duration of beneficiaries at the end of the year. Duration measures the average time that the population of beneficiaries has been on the rolls in a given year. As illustrated in Exhibit 3.3, the average duration declines by slightly less than 1 year by 2014 as the number of new veterans added to the rolls increases as a proportion of the number of veterans leaving the rolls due to death or other causes.

The last column in the table shows the projected number of beneficiaries if all eligible veterans participated. The projection is obtained by incorporating the results from our analysis of the unserved population discussed later in this chapter.

The PWC report projects the number of surviving spouses receiving pension from all programs, but the projection does not include children. We modified the PWC estimate to include this population and to limit the projection to Improved Pension for spouses. We again assumed that by 2025, 0.5 percent of the spouses will be receiving pension from either the Section 306 or the Protected Pension programs.

Exhibit 3.4 contains the projection of spouse pension beneficiaries (surviving spouses and children) through 2014.

Exhibit 3.4. Projected Number of Surviving Spouse and Child Beneficiaries, Duration, and Number if All Eligibles Participated in Improved Pension

Year	Number of Surviving Families with Benefits	Average Duration (Years)	Number of Surviving Families if All Eligibles Participated
2003	156,000	7.7	1,266,000
2005	166,000	7.8	1,306,000
2010	167,000	7.8	1,317,000
2014	160,000	7.7	1,260,000

Source: Study Team from VBA data and PricewaterhouseCoopers Estimates rounded to the nearest thousand

Exhibit 3.4 shows that the average duration remains fairly constant through 2014. This is the opposite case for veterans, for whom the number of new beneficiaries each year is a larger proportion of the number of beneficiaries at the end of each year, causing the average duration to decrease. The last column in the exhibit shows the projected population of beneficiaries if all eligible surviving spouses and children participated.

E. HOW MANY ELIGIBLE RESPONDENTS DO NOT PARTICIPATE IN THE VA PENSION PROGRAM?

One research question in the study asks how many veterans and spouses are eligible but do not participate in the VA Pension program. The following paragraphs summarize how we estimated the eligible but unserved populations, first for veterans then for spouses, and presents the estimates that we reached. The complete methodology is stated in the September 29, 2004 Memorandum of Understanding available from the Office of the Actuary at VA.

For veterans, our estimation approach began with the total veteran population that meets the requirements for service during a period of war. From VetPop2001, we estimated that 19,400,000 veterans served during a period of war as of December 31, 2001.

Veterans have to serve a minimum period of service to be eligible for a pension. We excluded the number who would not be eligible because of duration of service using data from Census 2000 and the Defense Manpower Data Center (DMDC). We then estimated the proportion of disabled veterans under age 65. Veterans aged 65 and older do not need to show a disability to receive a benefit. The rate of disability was determined by referring to the disability information from Census 2000 and from Social Security Administration.

We then determined the percentage of each age group who reported income below the limit needed to receive benefits from Census 2000. These calculations determined the baseline percentage of veterans eligible for but not receiving pension as of September 30, 2001. We projected these numbers through fiscal year 2014, assuming that the percentage of veterans eligible for but not receiving pension was a constant percentage of the total number of veterans as projected in VetPop. Exhibit 3.5 shows the low and high estimates of the unserved veterans using a Monte Carlo statistical method with a range of estimation error on the primary variables. The estimation of error for the variables increases by 1 percent with each projection year; so the low and high estimates diverge from the mean with each additional projection year.

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Exhibit 3.5. Estimate of the Number of Unserved Veterans

Fiscal Year	Estimate of the Unserved Eligible Population		
	Low Estimate	Mean Estimate	High Estimate
2002	802,000	905,000	1,005,000
2003	777,000	888,000	996,000
2004	751,000	871,000	987,000
2005	724,000	853,000	979,000
2006	696,000	835,000	970,000
2007	665,000	815,000	960,000
2008	633,000	794,000	949,000
2009	600,000	771,000	937,000
2010	565,000	748,000	925,000
2011	530,000	724,000	913,000
2012	494,000	701,000	902,000
2013	457,000	678,000	891,000
2014	421,000	655,000	882,000

Source: Study Team from VetPop2001, Census 2000, Current Population Survey, and Social Security Administration data Estimates rounded to nearest thousand

The estimate of the number of surviving spouses eligible for but not receiving a pension follows a similar development. Full details of the estimate are in the Memorandum of Understanding of September 29, 2004 available from the Office of the Actuary of VA. We began by determining the total number of surviving spouses who will be eligible for a pension if they meet the income requirements. The number of surviving spouses, 8,120,000 as of December 31, 2001, was determined from VetPop2001 and is composed of unremarried surviving spouses of veterans of a period of war.

The total number of surviving spouses was reduced by the probability that the veteran had met the minimum service requirements for the spouse to be eligible for a benefit. The result was further reduced by the probability that the surviving spouse had income below the Pension program limits as of December 30, 2001, from CPS data. The number of surviving spouses was increased by the proportion of “child only” families in VBA data as of December 30, 2001.

Exhibit 3.6. shows the estimates of the mean number of surviving families eligible for but not receiving, or not expected to receive, a pension. It also shows the low and high estimates of the unserved surviving families using a Monte Carlo statistical method with a range of estimation error on the primary variables. The estimation of error for the variables increases by 1 percent with each projection year; so the low and high estimates diverge from the mean with each additional projection year.

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Exhibit 3.6. Estimated Surviving Families Eligible to Receive Pension

Fiscal Year	Low Estimate	Mean Estimate	High Estimate
2002	1,000,000	1,090,000	1,200,000
2003	1,000,000	1,110,000	1,220,000
2004	1,010,000	1,120,000	1,250,000
2005	1,010,000	1,140,000	1,280,000
2006	1,000,000	1,150,000	1,300,000
2007	990,000	1,150,000	1,320,000
2008	980,000	1,160,000	1,340,000
2009	960,000	1,160,000	1,360,000
2010	940,000	1,150,000	1,380,000
2011	910,000	1,150,000	1,390,000
2012	880,000	1,140,000	1,410,000
2013	840,000	1,120,000	1,410,000
2014	800,000	1,100,000	1,420,000

Source: Veterans Benefits Administration Master Record Extract (Through December 2001)
Prepared by Data Management Office, Table 15; Current Population Survey
(<http://www.bls.census.gov/cps/ads/sdata.htm>) Estimates rounded to nearest million

F. WHAT ARE THE REASONS FOR NONPARTICIPATION?

Fifty-one percent of all veteran pensioners report having been eligible for VA pension for an average of 11 years before they applied (Appendix D, Table 8.2x). In comparison, almost one-third of the spouses (32%) report having been eligible for VA pension for an average of 5 years before they applied (Appendix E, Table 8.2x). Recent veterans and spouses report similar results, except that on average, slightly higher percentages were eligible (53% of recent veterans and 36% of recent spouses) before they applied, and spouses say they were eligible for a longer period of time (11 years for recent veterans and 7 years for recent spouses). Exhibit 3.7.a summarizes veterans' most frequently cited reasons for not applying for a VA pension sooner, while Exhibit 3.7.b presents the same information for the spouses. Unawareness of the VA Pension program (19% of all veterans and 8% of all spouses; 23% and 10%, respectively for recent veterans and spouses) and erroneous knowledge of the eligibility criteria (10% of the all veterans and 5% of all spouses; 8% and 8%, respectively for recent veterans and spouses) are the most frequently reported reasons for not applying for a VA pension sooner. Pride is also an important reason why VA pension recipients decide not to apply for VA benefits sooner—3 percent of all veterans and 4 percent of spouses, and 9 percent of recent veterans and 5 percent of recent spouses did not “want or need the pension.” Pride appears to be more prevalent among older respondents. Although respondents 80 years of age or older are more likely to apply for the VA benefits due to financial reasons (See Section B), the oldest VA pensioners are also more likely than younger respondents to report that they do not have the want or need to apply (12% of all veterans over age 80 and 7% of all spouses over age 80).

In interpreting the differences between veterans and spouses, it is important to consider that 36 percent of all spouses and 31 percent of recent spouses (Appendix E, Table 7) learned of VA's pension program because their spouse (the deceased veteran) received a pension when he or she was alive. That is probably why awareness for participating spouses is higher. However, it would not be reasonable to generalize this to *nonparticipating* spouses, since they are less likely to be spouses of veteran pensioners.

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Exhibit 3.7.a. Reasons Most Cited by Veterans for Not Applying for VA Benefits Sooner

Reasons for not Applying for VA Benefits Sooner	Percentage of All Veterans Who Were Eligible for VA Benefits for Some Time Before They Applied	Percentage of Recent Veterans Who Were Eligible for VA Benefits for Some Time Before They Applied
Was not aware of VA benefits	18.8%	23.1%
Thought I would not be eligible	10.2%	7.6%
Did not want it or need it	8.6%	9.3%
Was found ineligible earlier	8.1%	8.6%
Did not know how to apply	3.2%	4.5%
Total eligible before they applied	346	223
Percentage eligible before they applied	51.1%	53.1%

Source: Survey of Veteran Pensioners Appendix D, Table 8.2.X

Exhibit 3.7.b. Reasons Most Cited by Spouses for Not Applying for VA Benefits Sooner

Reasons for not Applying for VA Benefits Sooner	Percentage of Spouses Who Were Eligible for VA Benefits for Some Time Before They Applied	Percentage of Recent Spouses Who Were Eligible for VA Benefits for Some Time Before They Applied
Was not aware of VA benefits	7.7%	10.1%
Thought I would not be eligible	4.8%	8.2%
Depression, bereavement, or coping with loss	3.9%	2.9%
Did not want it or need it	3.7%	4.8%
Did not know how to apply	3.2%	3.6%
Was found ineligible earlier	2.0%	3.4%
Total eligible before they applied	210	150
Percentage eligible before they applied	32.4%	36.1%

Source: Survey of Spouse Pensioners, Appendix E, Table 8.2.X

G. WHAT ARE THE RESULTS OF FOCUS GROUP DISCUSSIONS WITH ELIGIBLE BUT NONPARTICIPATING VETERANS, SPOUSES, AND CAREGIVERS?

The study methods included focus groups to elicit information on reasons for nonparticipation. We targeted the Los Angeles and Washington, DC areas to locate eligible nonparticipants for the VA Pension program. In Los Angeles we recruited residents of a low-income elderly housing project subsidized by HUD. Of the 1,200 residents, 6 identified themselves as potentially eligible for veteran or spouse pension benefits. In the Washington, DC area we secured the services of a local market

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research organization to recruit a group of caregivers of unserved individuals who are eligible for pension. That effort yielded caregivers who managed the affairs of 12 veterans and spouses.

The findings of the focus group provide insights into the barriers to participation, which are discussed below.

- ◆ **The greatest barrier to participation is that eligible veterans and spouses and their caregivers are unaware of the VA Pension program.** Low-income veterans, spouses, and caregivers of low-income veterans and spouses tell us that they are completely unaware that the program exists and that they might be eligible for VA pension benefits.

Veterans, spouses, and caregivers are unaware of the program because 1) they have not received any direct communication from VA or anyone else about the existence of the program and 2) their own perceptions about VA benefits prevented them from proactively seeking information.

- ◆ **No focus group member had received any communication from VA (or anyone else) announcing the existence of the VA Pension program.** VA's outreach methods are primarily through direct contact by VA and VSOs. Although regional offices use various communication techniques, communication occurs at a local level, not at a mass level. Focus group participants suggest that the following methods would be effective to inform them of the existence of the VA Pension program:
 - Mass mailings on VA stationery. Veterans, spouses, and caregivers feel that VA stationery is necessary to assure them of the legitimacy of the communication.
 - Mass mailings by other Federal Agencies that already communicate important information to potential eligibles and their caregivers, such as Social Security or the Internal Revenue Service (IRS). Focus group participants emphasize that they pay attention to mail received from Social Security and from IRS.
 - Public service announcements on primetime television shows, national sporting event broadcasts, newsmagazine shows, newspapers, and military-themed movies. Veterans, spouses, and caregivers identify these types of media as ones they watch or read. One veteran suggests that labor unions are a good source of information for older veterans.
 - Brochures and pamphlets in doctors' offices and pharmacies. Caregivers say these are places they frequent as part of their assistance to the elderly veterans and spouses.

VA has recently begun a program of direct mailings to veterans and survivors to inform them of VA benefits. Under PL 107-103 Section 304, Improvement in Veteran Outreach, passed in 2002, VA now sends an acknowledgement letter with a pamphlet titled Summary of VA Benefits to every veteran who files an original claim for Compensation, Pension, Loan Guaranty, Vocational Rehabilitation, Education, Insurance, or Health Care. It summarizes all of the programs VA offers. Thus, veterans who participate in any VA program are being informed of other programs; veterans who do not participate are not being informed.

Under Section 6 of PL 107-14, Outreach to Eligible Dependents, passed in 2002, VA now sends a pamphlet about survivor benefits when VA receives an application for burial benefits or a flag application to the individual who authorized the services or requested the flag if it can be determined that individual is a spouse, child, or parent of the veteran. These actions are expected to increase awareness of the VA Pension program. However, this program will not reach survivors of veterans who died before the new communication program began, and they are the survivors who are currently unserved.

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Veterans, spouses, and caregivers have misperceptions about VA benefits that are also barriers to participation in the program. They include the following:

- ◆ **Veterans tend to think that eligibility for VA benefits is established at the time of separation from military service.** Veterans tell us that the basic source of information they have about VA benefits is information provided during their separation from military service many decades ago. They have the impression that if you do not have a service-connected disability, you are not eligible to receive any VA benefit. This impression stays with them over the years; only one of the focus group participants applied for VA compensation benefits because he has a low service-connected disability rating.
- ◆ **Veterans, spouses, and caregivers are not aware that eligibility for VA benefits may begin later in life, decades after the military service.** Veterans, caregivers, and spouses are unaware that a veteran or survivor can become eligible for VA benefits long after military service. When the need for pension occurs later in life, many eligibles do not consider that they may be entitled to a VA benefit based on previous military service.
- ◆ **Spouses and caregivers think that VA benefits are provided only to survivors of veterans with many years of military service.** Spouses and caregivers say that they do not think about eligibility for VA benefits because the veteran's term of service was only a few years. They think that benefits are available only to survivors of veterans with many years of service.

After making focus group participants aware of the benefits, we showed them the application for benefits and asked them whether they would apply. Focus group participants had mixed responses.

- ◆ **Veterans and spouses who receive other Federal need-based assistance are concerned that VA pension benefits will be counted against their other benefits.** They are concerned that any additional dollars they receive from VA will correspondingly reduce their other need-based benefits, such as housing assistance. They are correct—other Federal need-based assistance programs will count VA pension as income and reduce their other benefit(s) accordingly. Caregivers do not express this concern because none of the veterans and spouses being cared for receive any need-based assistance. Family members cover expenses instead of Federal need-based assistance programs.
- ◆ **Focus group participants—veterans, spouses, and caregivers—find the application daunting in its language and complexity.** Given the age and low educational levels of nonparticipants, the format of the application is challenging (combining applications for several benefits into a single application for veterans, the language used, and the information and documentation that must be supplied). About one-fourth of current participants have educational levels below eighth grade; more than half of spouses (59%) and nearly half (45%) of veterans do not have high school diplomas. One veteran focus group participant summed up his impression as follows: “VA makes the application easy for itself, not for the veterans.”
- ◆ **Veteran and spouse respondents have either heard of bad experiences in dealing with VA or they have not been satisfied with previous VA contacts, thus they are reluctant to approach VA for benefits.** Interestingly, current participants in the VA Pension program rate VA's service as having improved over the time they have received the benefit. However, those who are not enrolled either know someone or had a bad experience with VA, which makes them reluctant to contact VA for information about benefits. A negative experience—either personal or vicarious—seems to have a lasting effect.

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- ◆ **Caregivers emphasize that once they become aware of the benefits, they want to have access to a knowledgeable VA representative by telephone to assist them with the application process.** Caregivers do not want to have to navigate through electronic teleresponse systems because they feel they do not have enough information to determine what they need to know. They say they need to speak with a knowledgeable VA representative who can help them get the information to complete the application and guide them through the application process. Caregivers also want to use the VA Web site, which is currently available to them. Since they were not aware of the program, they did not visit VA's Web site previously.
- ◆ **All focus group participants express concern about the time it will take to begin receiving benefits, including the time it will take to gather the information and complete the application, as well as the time it will take for VA to determine eligibility and begin providing benefits.** The age of potential beneficiaries and their health conditions make them feel that they may not live long enough to receive any benefits, so it might not be worth their while to submit an application. One veteran describes himself and his elderly peers as follows: "As long as you have a roof over your head and food to eat, you are not going to go out of your way to look for other benefits. It's not worth it." Caregivers indicate that much of their free time is consumed managing the affairs of their elderly veteran or spouse relative, which does not leave them much time to spend on the application process.
- ◆ **Veterans, spouses, and caregivers do not want to spend the time to obtain information and complete the forms without knowing the criteria for eligibility.** They feel that after all of the effort to complete the application, they still might not qualify or receive benefits. They want a clear description of what the eligibility criteria are so they can assess whether it is worth their while to complete the application. They do not feel that the current application makes it easy for an applicant to assess his or her likely eligibility.

There are some similarities and some striking differences between the feedback from the focus groups of nonparticipants and the survey of participants, as shown in Exhibit 3.8. Lack of awareness of the program is a barrier to participation identified by both participating pensioners and focus group members. Half of the veteran pensioners (Table 8.2, Appendix D) and nearly one-third of the spouse pensioners (Table 8.2, Appendix E) report that they were eligible for a VA pension years before they applied. Lack of awareness of the program and whether they would be eligible are the two factors most often cited for not applying sooner, which is consistent with the feedback from nonparticipants and caregivers of nonparticipants in the focus groups. The majority of pensioners surveyed say that it is easy to find out about the program, gather the information and documentation necessary to submit the application, and complete and submit the application. Focus group respondents find the application complex and a barrier to participation. Most current pensioners who responded to the survey did not complete the application independently. About 90 percent of recent veteran and spouse pensioners received assistance in completing the application. The largest group of current pensioners (more than 40%) applied in person at a VA office, and someone else completed the application for one-third of current participants. Relatively few recent pensioners complete the application independently. Perhaps that is why participants find the application process easy and nonparticipants, who were just provided with a copy of the application to review, find the application overwhelming. It is possible that most participants are individuals who live near and frequent a VA facility, and those who do not live near a VA facility find it more difficult to access VA benefits.

Many participating pensioners are isolated. Nearly 62 percent of veteran respondents say that they stay at home most of the time due to disabilities or health conditions; another 11 percent stay in bed most

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of the time. As for spouses, 49 percent report staying at home most of the time and 7 percent report being bedridden (Table 32.2, Appendices D and E). Inferring that nonparticipants are in the same poor physical condition as participants—an inference confirmed by the caregivers—the poor physical condition and isolation of nonparticipants is likely to be a barrier to participation.

Current participants indicate in their survey responses that they feel there is a stigma attached to receiving Federal welfare assistance. Almost half of the spouses and 23 percent of veteran pensioners do not receive other Federal need-based assistance. Half of these veterans and 44 percent of the spouses who do not receive other Federal assistance say they would be ashamed to receive assistance from other Federal need-based programs (Appendices D and E, Table 67). By comparison, only 32 percent of the eligible elderly (over age 60) population receives food stamps; stigma is a major reason cited by the U.S. Department of Agriculture (USDA) for this occurrence. Some veterans and spouses may not seek VA pension (or other benefits) because of a stigma, although those currently receiving benefits are pleased to receive VA pension in recognition of service rather than having to turn to welfare.

Our interpretation of these findings is that even if VA publicizes the program effectively and overcomes the lack of awareness, many of the elderly eligible pensioners do not have the education and skills to complete the application, and the physical stamina or self-advocacy skills necessary to pursue the pension they need and for which they are eligible.

Exhibit 3.8. Similarities and Differences Between Pension Program Participants and Nonparticipants

Topics	Survey of Participating Pensioners	Focus Group of Pension Nonparticipants
Similarities		
Awareness of VA pension	Half of the veterans and one-third of the spouses were eligible years before they applied; lack of awareness is the major reason given for not applying sooner	Veterans, spouses, and caregivers are completely unaware of the program
Misconceptions about eligibility for VA pension	Among pensioners who were eligible years before they applied, not believing they were eligible is the second most frequent reason given for not applying sooner	Veterans, spouses, and caregivers did not believe they would be eligible for any VA benefits
Assistance with VA pension application	More than 95 percent of participants receive assistance to complete the pension application	Nonparticipants want assistance to complete the pension application

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Topics	Survey of Participating Pensioners	Focus Group of Pension Nonparticipants
Differences		
Finding out about VA pension	Participating veterans and spouses find it easy to learn of the existence of the program	Veterans, spouses, and caregivers who are unaware of the program find it difficult to become aware of the program
VA pension application	Participating veterans and spouses find the application process easy	Nonparticipating veterans, spouses, and caregivers find the application complex and overwhelming

H. SUMMARY

Veterans learn about the VA Pension program primarily from VA or VSOs. Veterans most often apply to the program either due to a serious illness or because they recently became aware of the program's existence. Conversely, spouses learn about the VA Pension program primarily because the deceased veteran was receiving VA Pension. The veteran being a pensioner is not a factor in spousal eligibility. Spouses are eligible on the basis of the deceased veteran's wartime service and financial need. The deceased veteran need not have been disabled nor does the deceased veteran need to have received a pension for the spouse to be eligible. For spouses, VA is the second most frequently cited source of information about the program. Spouses most often apply to the program due to the death of the veteran. However, spouses' other frequently reported reasons for applying are similar to those reported by the veterans: becoming aware of the program's existence, insufficient financial resources, and serious illness. Most of the recent veteran and spouse pensioners perceive the application process as being relatively easy, with some degree of difficulty encountered in completing and sending medical expense documents. Despite reporting the process as easy, most recent VA pension enrollees report needing help with the application process.

Focus group discussions reveal that eligible nonparticipating veterans, spouses, and caregivers are unaware of the program because they have not received any communication from VA about it. In 2002, legislation was passed to require VA to implement a program of direct communication to inform veterans and survivors of benefits available to them. Those being informed are veterans who apply for a benefit after 2002 and spouses of veterans who died after 2002. Chapter 7 describes VA's other outreach procedures, which focus on locally based direct outreach by VA and VSOs. Nonparticipants and caregivers suggested how VA could inform them of the program. There are other barriers to participation, including misperceptions of potential eligibles and their caregivers, the complexity of the application, the time the process takes, potential beneficiaries not knowing whether they would be eligible, and concerns about losing other Federal assistance.

For 2003, participation in the program is projected at 317,223 for veterans and 156,408 for spouses, down from 327,867 and 172,383 program enrollments, respectively, in 2002.² The number of participants is expected to decline further, given the low level of new enrollments. We estimate that

² Enrollment for 2002 was obtained from the VA Web site, as cited in Chapter 1. The Study Team using VA's VetPop2001 projection model estimated projected enrollment for 2003.

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only 26 percent of eligible veterans and 12 percent of eligible spouses participated in the VA Pension program in 2003.³

Half of the veterans and one-third of the spouse pensioners were eligible for VA pension benefits years before they applied for and began receiving them. The most common reasons for not applying include beneficiaries not knowing about the program and not thinking that they would be eligible, and unserved eligibles not having the education, self-advocacy, and physical skills needed to apply. Given the current participation level, it does not appear that the outreach methods are effective; this program serves only a fraction of the eligible veterans. VA's implementation of a brochure to inform veterans and survivors of deceased veterans since 2002 is an improvement. It will inform future eligibles of the program. It does not reach current eligible survivors who are unserved and current eligible veterans who are unserved unless they seek another VA benefit.

³ Percentage of participation calculated from projected 2003 participation and the Study Team's estimates of eligible veterans and spouses who do not participate.

CHAPTER 4. DESCRIPTION OF VETERAN AND SPOUSE PENSIONERS

This chapter provides a profile of VA Pension program participants. First, a demographic profile of VA pensioners is presented, focusing on such characteristics as gender, education, and living arrangements. Then, the details of pensioners' health conditions and health insurance are discussed. Finally, the employability of veterans and spouses is addressed, as it can directly affect their eligibility and participation in the VA Pension program. Illustrative exhibits accompany a descriptive discussion of the program participants' characteristics to provide an understanding of the context that veterans and spouses live in and the circumstances influencing their lives.

Pensioners are typically elderly, over 65 years of age, are in fair to poor health, and have an average of four concurrent health problems. Almost three-quarters of the surveyed veterans and more than half of the spouses have significant physical limitations that affect their mobility, including climbing stairs and walking. This produces physical and social isolation—62 percent of veterans and 49 percent of spouses stay at home most of the time due to disabilities or health problems, and an additional 11 percent of veterans and 7 percent of spouses say that they are bedridden. Most pensioners (95% of veterans and 87% of spouses) have health insurance. Those most likely not to have health care coverage are veterans and spouses with children. The primary health care services used by pensioners are prescription medicines, doctor visits, eyeglasses or eye exams, and laboratory tests. Although the majority of pensioners are White, a substantial minority is non-White. African American is the largest minority race represented among pensioners. About one-fourth of pensioners have less than an eighth-grade education, and just fewer than one-half of veterans and almost two-thirds of spouses do not have a high school diploma. Their educational level suggests that their poor economic condition is not a situation that occurred recently. Few pensioners under age 65 are employed and cite their health problems as the primary reason for unemployment. Nearly all veterans are male and nearly all spouses are female. More than half reside in a house and nearly half are homeowners. Almost half of the veterans and more than three-quarters of the spouses live by themselves, and those who do live with other people have spouses (for veterans) and/or adult children living with them.

A. WHO ARE THE VA PENSION PARTICIPANTS?

I. Demographic profile of VA pension recipients

Three separate samples of veterans and spouses were surveyed—a random sample of the overall population of veterans and spouses, and separate nationally representative samples of 1) recent veteran and spouse pensioners and 2) veterans and spouses who have children. The sample groups have some overlap in respondents, totaling 1,305 veterans and 1,294 spouses. It would not be reliable for pensioners who received benefits for many years to recall their experience in applying for benefits or the detailed circumstances that motivated them to seek a VA pension. Recent participants—those who applied since 2000—were studied separately to address such issues. Veterans and spouses who have dependent children were studied separately because it was hypothesized that those with children are likely to be younger and have different circumstances and needs than those without children. Exhibit 4.1 presents the basic characteristics of veterans and spouses including recent recipients, recipients with a child, award level, and age group. The largest age group of veterans comprises veterans aged 65–79 (40%), followed by those aged younger than 65 (32%), and veterans 80 years of age or older (21%). The largest pension award group includes veterans receiving more than \$400 a month (55%), followed by

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those with award \$100–\$400 (32%), and veterans with the least benefits of \$100 or less (12%). Eighteen percent of the veteran pensioners are recent recipients and 7 percent have children.

Exhibit 4.1. Basic Characteristics of Veterans and Spouses

Basic Characteristics	Veterans		Spouses	
	Percentage	Number in Sample	Percentage	Number in Sample
Overall	100%	677	100%	649
Child*	6.7%	416	2.0%	386
Recent*	17.7%	420	17.2%	416
Pension Benefit Amount				
\$100 or less	12.3%	83	34.2%	222
\$100–\$400	31.6%	214	31.6%	205
More than \$400	54.5%	369	33.6%	218
Age Group				
64 and younger	31.6%	214	23.9%	155
65–79	40.2%	272	39.8%	258
80 and older	21.3%	144	34.4%	223
*Separate samples were drawn for pensioners with children and recent pensioners—those who began receiving benefits after 2000. Percentages pertaining to recent and child participants are population percentages, since the number sampled are oversamples relative to the overall population.				

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 0

The largest age group of spouse pensioners includes spouses aged 65–79 (40%), followed by those aged 80 or older (34%), and spouses younger than 65 (24%). About a third of spouses receive low monthly benefits—\$100 or less (34%), another third receive the highest benefit levels—more than \$400 a month (34%). Close to a third of the spouses’ pensions are in the range of \$100–\$400 per month (32%). Seventeen percent of spouses are recent participants and 2 percent have children.

Exhibit 4.2.a presents selected demographic characteristics of the veterans based on their responses to the questionnaire, while Exhibit 4.2.b presents this information for the spouses. Overall, 94 percent of veterans are males and virtually all spouses are females (99%). The average age of veterans is 68. Veterans in the 64-and-younger age group have an average age of about 55, while those in the 65–79 age group have an average age of 73. Veterans aged 80 or older have an average age of approximately 82 (Appendix D, Table 24). The average age of spouses is 71. Spouses in the 64-and-younger age group have an average age of about 56, respondents in the 65–79 age group have an average age of 73, and spouses aged 80 or older have an average age of approximately 81 (Appendix E, Table 24).

A vast majority of the surveyed pensioners (73% of veterans and 68% of spouses) identify themselves as White, while African Americans represent the largest minority group among those surveyed, about one-quarter of the pensioners (21% of veterans and 28% of spouses). Nearly 6 percent of the veterans and 3 percent of the spouses are of Spanish, Hispanic, or Latino descent. Interestingly, as the veterans’ ages increase, the racial background of veterans also changes. While percentage of White respondents is similar for the three age groups of veterans, percentage of African American veterans increases slightly with age. African Americans comprise 20 percent of veterans who are aged 64 years or younger, 21 percent of those aged 65–79 years, and 24 percent of respondents who are aged 80 or older (Appendix D, Table 24). This pattern of results was not found for the spouses. However, veterans and spouses with children contain the largest percentage of African American respondents (30% of veterans

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and 39% of spouses) and the smallest percentage of White respondents (62% of veterans and 57% of spouses).

Overall, VA pensioners are not highly educated: 25 percent of veterans and 26 percent of spouses achieve an eighth-grade education or lower, while an additional 20 percent of veterans and 34 percent of spouses have some high school education and no diploma. Older pensioners are the least educated among the survey groups. As the age of the pensioners increases, so does the percentage indicating lower educational attainment. Only 7 percent of veterans and 15 percent of spouses younger than 65 years of age have an eighth-grade education or less, as do less than one-third of those aged 65–79 (30% of veterans and 28% of spouses), whereas respondents aged 80 or older have the largest percentage of individuals with an eighth-grade education or less (45% of veterans and 31% of spouses).

Exhibit 4.2.a also depicts the marital status of the veterans. While more than one-third of the veterans are married (36%), nearly two-thirds of veterans do not have a spouse (15% widowed, 31% divorced, 12% never married, and 6% separated). However, the percentage of married and widowed veterans increases with age. Married veterans comprise 24 percent of veterans aged 64 years or younger, 40 percent of those aged 65–79, and 43 percent of veterans who are 80 years of age or older. Similar increases occur for widowed veterans, who comprise 2 percent of veterans aged 64 years or younger, 18 percent of those aged 65–79, and 33 percent of veterans who are 80 years of age or older. Overall, widowed veterans have been widowed for an average of 12 years. Spouses of the deceased veterans have been widowed for an average of 16 years (Appendix E, Table 24).

Exhibit 4.2.a. Summary of Veteran Respondents' Demographic Characteristics

Veterans' Selected Demographic Characteristics	Overall Percentage of Veterans	Percentage by Age Group		
		64 and Younger	65–79	80 and Older
Gender				
Female	6.4%	3.7%	6.6%	11.1%
Male	93.6%	96.3%	93.4%	88.9%
Race/Ethnicity				
White	73.4%	72.9%	72.8%	73.6%
African American	21.1%	20.1%	21.3%	24.3%
Spanish, Hispanic, or Latino	5.8%	5.1%	4.8%	5.6%
Asian	0.1%	0.0%	0.4%	0.0%
Native Hawaiian, other Pacific Islander, American Indian, or Alaskan Native	2.1%	4.2%	1.8%	0.0%
Other	1.9%	1.4%	2.2%	0.7%
Marital status				
Widowed	14.9%	2.3%	17.6%	32.6%
Divorced	30.6%	47.7%	24.6%	15.3%
Married	36.0%	23.8%	40.4%	43.1%
Never married	11.8%	17.8%	11.0%	7.6%
Separated	5.9%	7.9%	4.8%	1.4%
Education				
Eighth grade or lower	24.5%	6.5%	29.8%	45.1%
Some high school, no diploma	19.9%	15.4%	27.6%	15.3%
High school diploma or GED	26.7%	37.9%	23.5%	14.6%
Some college	16.0%	24.8%	8.8%	11.1%

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Veterans' Selected Demographic Characteristics	Overall Percentage of Veterans	Percentage by Age Group		
		64 and Younger	65–79	80 and Older
Trade/Vocational training	4.1%	3.3%	4.0%	6.3%
Associate degree	2.5%	4.2%	1.5%	0.7%
Bachelor's degree	4.0%	6.5%	2.9%	3.5%
Total Respondents¹	677	83	214	369

Source: Survey of Veteran Pensioners, Appendix D, Table 0 and Table 24

Exhibit 4.2.b. Summary of Spouse Respondents' Demographic Characteristics

Spouses' Selected Demographic Characteristics	Overall Percentage of Spouses	Percentage by Age Group		
		64 and Younger	65–79	80 and Older
Gender				
Female	98.6%	97.4%	98.8%	99.1%
Male	1.4%	2.6%	1.2%	0.9%
Race/Ethnicity				
White	67.6%	65.2%	70.9%	66.8%
African American	27.6%	27.1%	24.8%	29.6%
Spanish, Hispanic, or Latino	3.4%	3.9%	3.9%	2.7%
Asian	0.6%	1.9%	0.4%	0.0%
Native Hawaiian, other Pacific Islander, American Indian, or Alaskan Native	1.4%	3.2%	0.8%	0.9%
Other	1.2%	1.9%	0.8%	1.3%
Education				
Eighth grade or lower	25.6%	14.8%	27.9%	30.5%
Some high school, no diploma	33.9%	29.0%	36.8%	34.1%
High school diploma or GED	27.3%	34.8%	24.8%	24.2%
Some college	6.5%	11.6%	5.4%	4.5%
Trade/Vocational training	3.9%	3.9%	4.3%	3.6%
Associate degree	0.9%	1.9%	0.4%	0.4%
Bachelor's degree	1.1%	1.9%	0.0%	1.8%
Total Respondents²	649	155	258	223

Source: Survey of Spouse Pensioners, Appendix E, Tables 0 and 24

2. Living situation of the veteran and spouse pensioners

Exhibit 4.3 presents the five most prevalent living arrangements for pensioners. More than half of the pensioners live in a house (52% of veterans and 61% of spouses), while about one-fourth reside in an apartment (25% of veterans and 23% of spouses). A very small percentage of the pensioners live in a nursing home, assisted living center, or other group setting (3% of veterans and 7% of spouses). The percentage of pensioners who live in nursing homes or assisted living facilities increases with age (2% of

¹ Total is greater than the sum of age groups because age was not reported by a small percentage of respondents. All percentages are based on the totals.

² Total is greater than the sum of age groups because age was not reported by a small percentage of respondents. All percentages are based on the totals.

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veterans and 1% of spouses aged 64 years or younger, 4% of veterans and 6% of spouses aged 65–79, and 6% of veterans and 11% of spouses who are 80 years of age or older).

Exhibit 4.3. Five Most Frequent Housing Arrangements of Veterans

Current Living Arrangements	Percentage of Veterans	Percentage of Spouses
Live in a house	52.4%	60.9%
Live in an apartment	25.1%	22.5%
Live in a recreational vehicle, mobile home, or trailer	14.5%	8.0%
Live in a room in someone's home*	2.7%	1.7%
Live in a nursing home	1.6%	4.6%
*Respondents were read a detailed list of living arrangements. Some described their living arrangement as living in a room in someone's home, suggesting that they do not have access to the entire home. These individuals may rent a room or they may be confined to a room because of mobility problems or other reasons.		

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 49

Overall, 42 percent of veterans and 47 percent of spouses own their residence. However, the home ownership rate is the lowest for the youngest pensioners: Slightly more than one-third of those aged 64 years or younger own their home (34% of veterans and 37% of spouses) (Appendices D and E, Table 49.1). A substantial proportion of pensioners rent their place of residence (42% of veterans and 36% of spouses), and a smaller proportion live with another person without paying rent (11% of veterans and 9% of spouses).

Most pensioners with children live in a house, but a higher proportion of veteran pensioners rent rather than own their home, compared with spouses and all veterans. Spouses with children are nearly evenly divided between renting and owning their residence, although 5 percent more own rather than rent their residence. As pensioners with children are younger (average age 55 for veterans and 57 for spouses) (Table 24, Appendices D and E), fewer are in nursing homes and more are in mobile homes, trailers, or recreational vehicles. Although, like pensioners in general, most recent participants also reside in a house, a larger proportion of recent pensioners than pensioners overall reside in nursing homes, assisted living centers, and mobile homes.

With respect to the VA pensioners' living situation, a substantial proportion (48% of veterans and 77% of spouses) live alone, as they indicate that no other individuals reside with them (Appendices D and E, Table 51). Conversely, 52 percent of veterans and 23 percent of spouses have other people living with them, including spouses (33% of veterans) and adult children (8% of veterans and 15% of spouses). Few pensioners have minor children (5% of veterans and 2% of spouses), grandchildren (3% of veterans and 4% of spouses), or significant others (4% of veterans and .2% of spouses) living with them. The percentage of pensioners living with other people increases with the amount of pension they receive. This may be explained by the facts that a larger household size leads to larger benefits, or that poorer pensioners, by financial necessity, live with others. Pensioners living with other people comprise 42 percent of veterans and 16 percent of spouses receiving \$100 or less in the award amount, 49 percent of veterans and 25 percent of spouses with \$100–\$400 in benefits, and 55 percent of veterans and 27 percent of spouses with the largest award amounts.

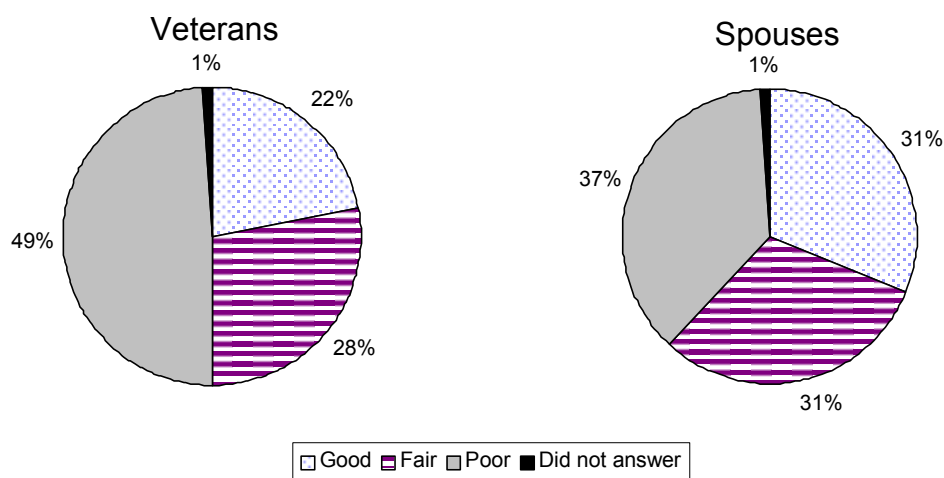
B. WHAT IS THE HEALTH STATUS OF VETERAN AND SPOUSE PENSIONERS?

The analysis indicates that a majority of veterans and spouses rate their health as either fair or poor, experience a combination of physical limitations and health problems, and need assistance with basic activities of daily living. Most pensioners rely on family members to help them manage their physical challenges, including the daily tasks of self-care and self-sufficiency.

I. Overall health status of veteran and spouse pensioners

Exhibit 4.4 shows the health status of veterans and spouses. Overall, 49 percent of veterans rate their current health as either poor (31%) or very poor (18%). The next largest group of veterans rate themselves as being in fair health (28%). Veterans who rate their current health as being good, very good, or excellent comprise about 22 percent of respondents.

Exhibit 4.4. Veterans' and Spouses' Ratings of Their Current Health Status



Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 33

Spouses are fairly evenly divided into thirds in their rating of their current health, although slightly more—37 percent—of them rate their health as poor (25%) or very poor (12%). Close to one-third (31%) rate their health as fair. Spouses who rate their current health as being good, very good, or excellent also comprise about 31 percent of respondents.

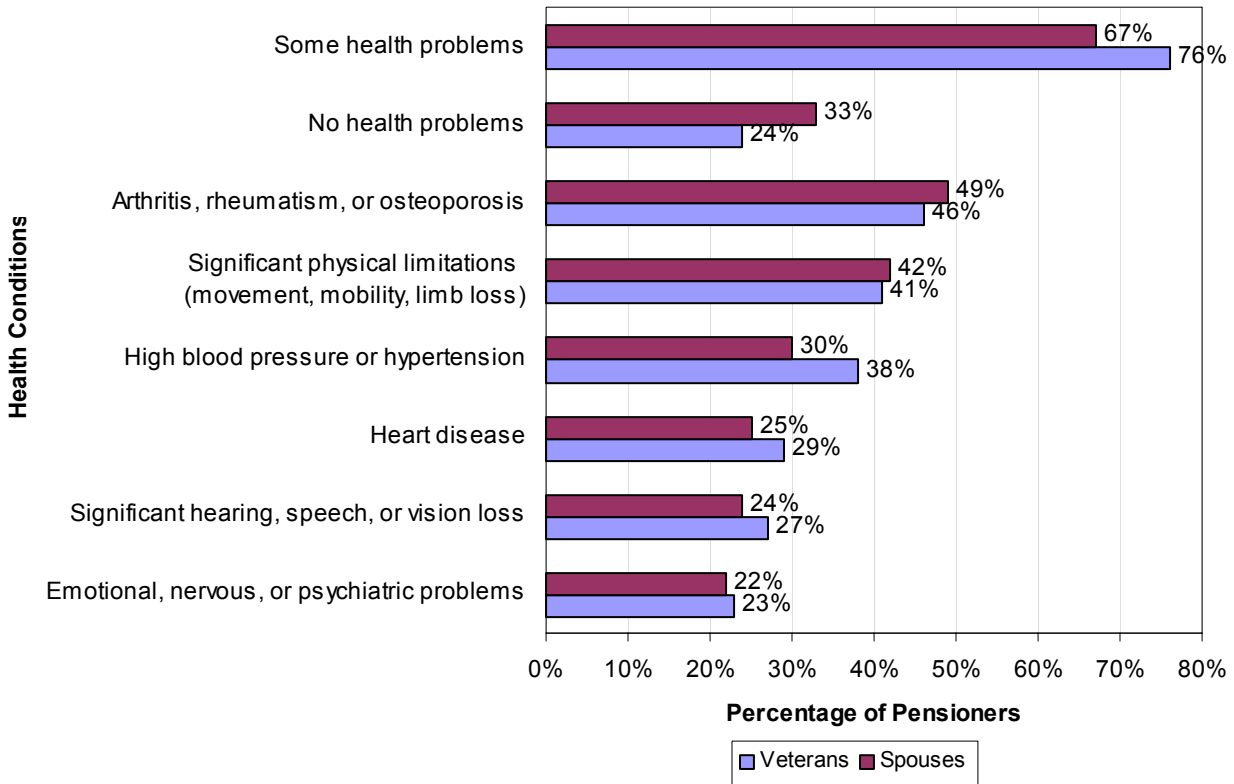
2. Types of health problems respondents experience

Most VA pensioners (76% of veterans and 67% of spouses) have at least one serious health problem that they cope with daily (Appendix D, Table 33.1). However, the analysis indicates that veterans and spouses suffer from an average of four concurrent serious health problems (Appendices D and E, Table 33.1). Veterans' and spouses' six most frequently reported health problems appear in Exhibit 4.5. The most frequently cited health problem of the respondents is either arthritis, rheumatism, or osteoporosis (46% of veterans and 49% of spouses). Significant physical limitation is the second most noted ailment veterans suffer from (41%) and the third most frequently cited health problem of spouses (30%). High blood pressure is the third leading health problem of veterans (38%) and the second among

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spouses (42%). Almost one-fourth of the veterans report having some psychological or psychiatric illness (23%), and 6 percent report that they have Posttraumatic Stress Disorder.³ Among veterans, health problems are most prevalent for veterans younger than 64 years of age (80%), those with children (85%), and veterans who began receiving VA benefits after 2000 (81%). Among spouses, health problems are most prevalent for spouses who began receiving VA benefits after 2000 (72%) and respondents aged 65–79 (70%).

Exhibit 4.5. Health Problems Experienced by Veterans and Spouses Receiving VA Benefits



Source: *Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 33.1*

3. Physical limitations of VA pensioners

Significant physical limitations are a challenge that many VA pensioners face. Exhibit 4.6 presents the six most frequent physical limitations veterans and spouses experience. Most of the surveyed pensioners (71% of veterans and 60% of spouses) have a physical limitation that affects their activities of daily living. Overall, many of the pensioners (62% of veterans and 49% of spouses) say that they stay at home most of the time due to disabilities or health problems. An additional 11 percent of veterans and 7 percent of spouses are bedridden. Nearly half (47% of veterans and 42% of spouses) have difficulties climbing a flight of stairs, and about one-quarter (28% of veterans and 24% of spouses) use a walker, cane, or crutches.

³ Veterans with Posttraumatic Stress Disorder qualify for compensation benefits. These survey responses are self-reports and not based on a medical assessment. These individuals may qualify for additional benefits they are not receiving, or they have incorrectly reported their medical condition.

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For veterans, the analysis indicates that higher percentages of veterans with children (80%), who began receiving VA benefits after 2000 (75%), who receive the largest award amounts (73%), and who are 64 years of age or younger (75%) have physical limitations, than the overall sampling group of veterans (Appendix D, Table 33.2). Similar results are present for the homebound and bedridden veterans. Higher percentages of veterans with children (74%), who began receiving VA benefits after 2000 (67%), who receive the largest award amounts (66%), and who are 64 years of age or younger (70%) are housebound than overall veteran respondents (62%). Higher percentages of veterans with children (21%), who began receiving VA benefits after 2000 (15%), who receive the largest award amounts (13%), and who are 64 years of age or younger (15%) report being bedridden than those in the overall sampling group (11%).

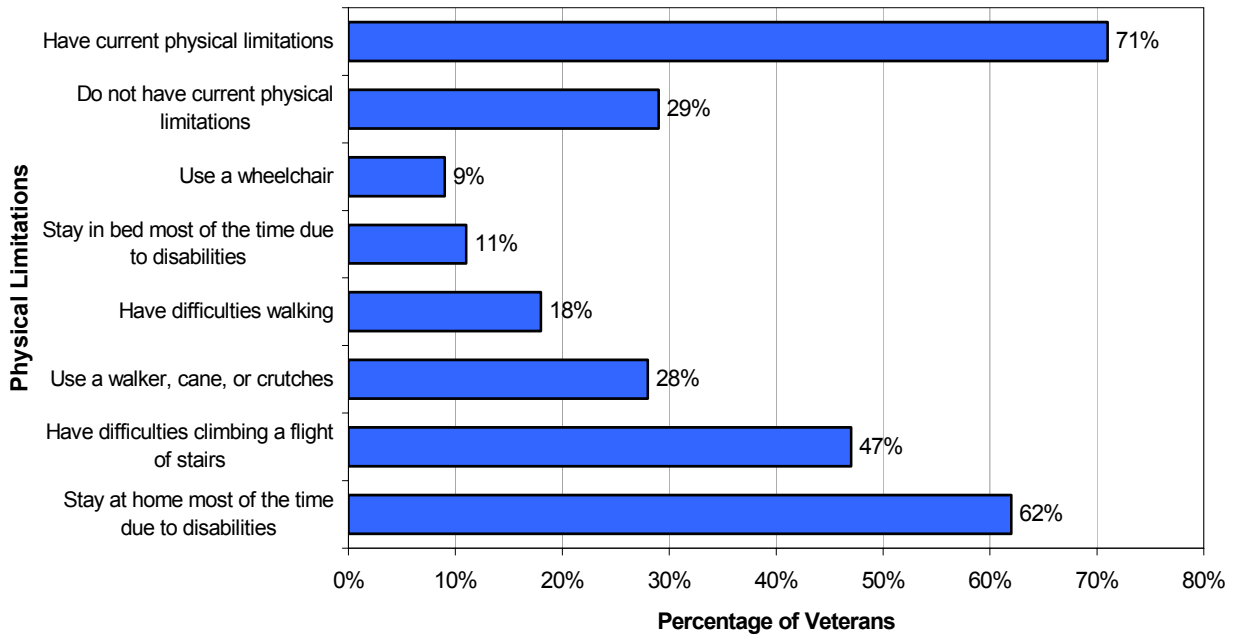
Results reveal that spouses who began receiving VA benefits after 2000 make up the group of respondents that is more likely to have physical limitations than all spouses (60%) (Appendix E, Table 33.2). Conversely, spouses with children were the least likely of all the sampling groups to report having physical limitations (53%). However, the results also reveal other groups of spouses who are more prone to be homebound or bedridden than all spouses. Slightly higher percentages of spouses who began receiving VA benefits after 2000 (53%), those with \$100–\$400 in award amounts (53%), and spouses aged 65–79 (52%) report being homebound than the overall sampling group of respondents (49%). Similar percentages of spouses with child/children (10%), who began receiving VA benefits after 2000 (9%) and who are 64 years of age or younger (10%) report being bedridden than those in the overall sampling group (7%).

VA provides aid and attendance and housebound⁴ benefits to those deemed to medically need such types of assistance. We compared veterans' and spouses' survey responses about whether they stay at home or stay in bed most of the time due to disabilities with VA's administrative records that indicate which pensioners receive VA's aid and attendance and housebound benefits. Among the 62 percent of the veterans who reported that they stay at home most of the time due to disabilities, 22 percent of those receive aid and attendance or housebound benefits from VA. For spouses, these percentages are 49 percent staying home and 26 percent of those receiving aid and attendance or housebound benefits. Eleven percent of the veterans report staying in bed and 3 percent of those receive aid and attendance or housebound benefits. Seven percent of spouses say they stay in bed most of the time, and 30 percent of those spouses receive the additional benefits from VA. These findings suggest that not all of those in need of additional assistance may be receiving it. However, the findings may also indicate the difference between reported need and an actual medical assessment.

⁴These results are based on survey findings and not a medical assessment. Respondents who say they stay at home most of the time or stay in bed most of the time due to health problems or disabilities may not be considered medically housebound and therefore may not qualify for VA's housebound and/or aid and attendance benefits.

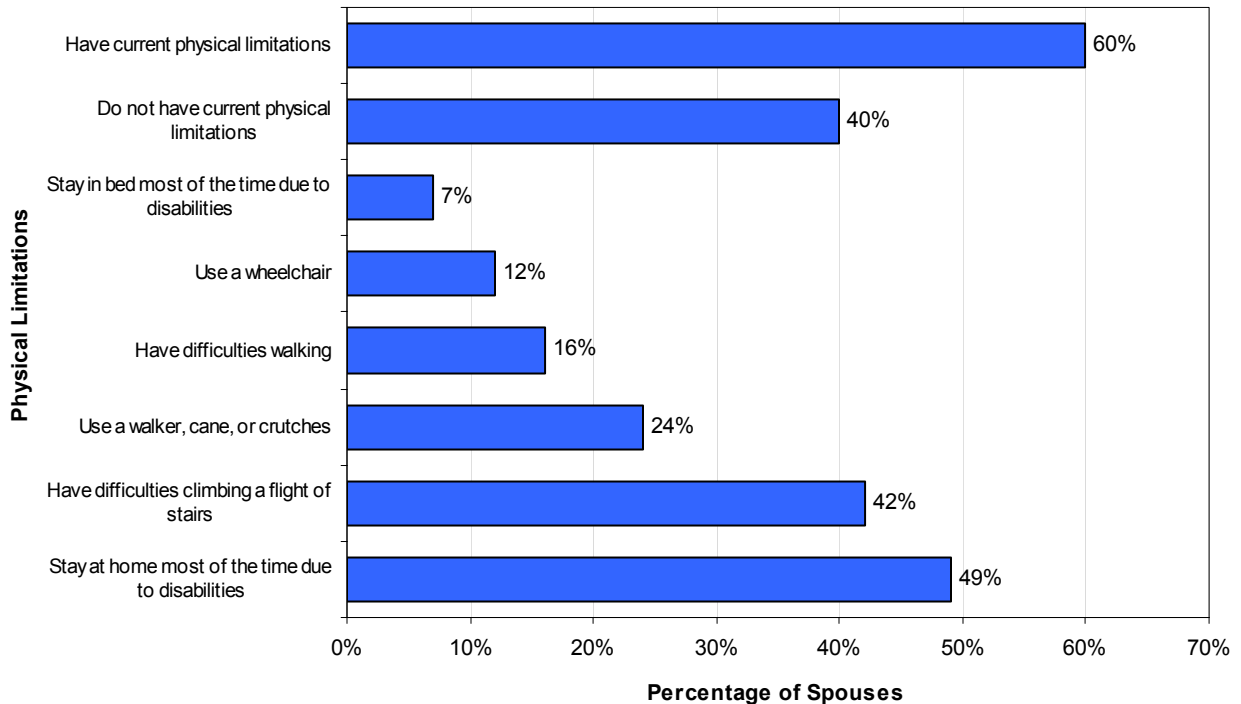
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Exhibit 4.6.a. Six Most Frequent Physical Limitations Experienced by Veterans



Source: Survey of Veteran Pensioners, Appendix D, Table 33.2

Exhibit 4.6.b. Six Most Frequent Physical Limitations Experienced by Spouses



Source: Survey of Spouse Pensioners, Appendix E, Table 33.2

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4. Pensioners' need for assistance with activities of daily living

The extent of the physical limitations experienced by VA pensioners is highlighted by results indicating that many respondents need assistance with activities of daily living, including the basic tasks of personal hygiene, eating, shopping, and keeping their monthly bills in order. A substantial proportion of the surveyed pensioners (44% of veterans and 39% of spouses) need help to remain self-sufficient and independent (Exhibits 4.7.a and 4.7.b). Pensioners need assistance with shopping (26% of veterans and 24% of spouses), cleaning (25% of veterans and 24% of spouses), cooking (22% of veterans and 17% of spouses), managing money or paying bills on time (15% of veterans and 14% of spouses), bathing or showering (13% of veterans and 15% of spouses), and getting dressed (12% of veterans and spouses).

Among the veterans, the reported need for assistance is most prevalent for veterans with children (55%), followed by those who began receiving VA benefits after 2000 (49%), who receive the largest award amounts (45%), and who are 80 years of age or older (51%) (Appendix D, Table 33.3). With respect to the top six activities that veterans need help with, a higher percentage of the oldest veterans need assistance with all of the tasks than the younger veterans. Among spouses, the reported need for assistance is most prevalent for spouses 80 years of age or older (46%), followed by those who began receiving VA benefits after 2000 (44%) and spouses receiving the smallest award amounts (44%) (Appendix E, Table 33.3). When looking at the top six activities that spouses need help with, a higher percentage of the oldest spouses need assistance with almost all of the tasks than the younger spouses. The only exception is shopping—for this task, spouses aged 65–79 are most likely to require assistance (28%).

Exhibit 4.7.a. Six Most Cited Current Assistance Needs of Veterans, Overall and by Age Group

Assistance Needs	Overall Percentage of Veterans Requiring Assistance	Percentage by Age Group		
		64 and Younger	65–79	80 and Older
Do not need assistance	56.1%	53.3%	61.8%	49.3%
Need assistance	43.9%	46.7%	38.2%	50.7%
Most frequently cited needs				
Shopping	26.4%	28.5%	22.4%	31.3%
Cleaning	25.1%	22.9%	23.9%	31.9%
Cooking	21.6%	21.5%	20.2%	25.0%
Managing money/ Paying bills	15.4%	13.1%	14.0%	21.5%
Bathing or showering	12.6%	11.7%	12.1%	17.4%
Getting dressed	11.7%	8.9%	11.8%	16.7%

Source: Survey of Veteran Pensioners, Appendix D, Table 33.3

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**Exhibit 4.7.b. Six Most Cited Current Assistance Needs of Spouses,
Overall and by Age Group**

Assistance Needs	Overall Percentage of Spouses Requiring Assistance	Percentage by Age Group		
		64 and Younger	65–79	80 and Older
Do not need assistance	61.2%	72.9%	59.7%	53.8%
Need assistance	38.8%	27.1%	40.3%	46.2%
Most frequently cited needs				
Cleaning	24.0%	16.8%	26.0%	26.9%
Shopping	23.9%	16.8%	27.9%	25.1%
Cooking	17.4%	12.9%	17.8%	20.6%
Bathing or showering	14.9%	6.5%	15.1%	21.1%
Managing money/ Paying bills	13.6%	7.7%	13.6%	18.4%
Getting dressed	12.0%	5.2%	12.4%	17.0%

Source: Survey of Spouse Pensioners, Appendix E, Table 33.3

5. Assistance provided to respondents

Of the large percentage of the pensioners who need help with activities of daily living (44% of veterans and 39% of spouses), nearly all of them (91% of veterans and 93% of spouses) receive assistance from someone (Appendices D and E, Table 33.4.1). Family members are most often the providers of assistance for the veterans and spouses who state that someone helps them manage their physical limitations. Spouses and adult children assist 40 percent and 23 percent of the veterans, respectively. Among the spouses, adult children provide the most assistance (52%), followed by siblings (8%), grandchildren (7%), and other relatives (10%).

Friends are another frequently reported source of support (13% of veterans and 12% of spouses), followed by home health aides (9% of veterans and 13% of spouses), visiting nurses (3% of veterans and 4% of spouses), and nursing home staff (2% of veterans and 8% of spouses). Reliance on paraprofessional and professional health staff for assistance with physical limitations increases with age. For instance, home health aides assist 8 percent of veterans aged 64 years or younger, 9 percent of those aged 65–79, and 15 percent of veterans who are 80 years of age or older (Appendix D, Table 33.4.1). Similarly, nursing home staff assist 2 percent of spouses aged 64 years or younger, 6 percent of those aged 65–79, and 14 percent of spouses who are 80 years of age or older (Appendix E, Table 33.4.1).

Virtually all pensioners (98% of veterans and spouses) state that they typically have to make arrangements to travel outside of their homes (Appendices D and E, Table 53). Veterans handle travel outside the home differently than spouses. Veterans are more likely to use their own vehicle than spouses (57% of veterans and 33% of spouses). Spouses are more likely to ask someone for a ride (24% of veterans and 44% of spouses). These differences are probably reflective of typical gender differences among the elderly, with the male more likely to be the driver and the female more likely to be the passenger. It may also be a reflection of the poorer financial situation among spouses. Fewer spouses (20%) report having a car as an asset than do veterans (34%). Smaller proportions of both veterans and spouses use public transportation (9% of veterans and 7% of spouses), borrow another person's vehicle (5% of veterans and 6% of spouses), and use nursing home or handicapped transportation (2% of veterans and 4% of spouses). Respondents' challenges to their mobility outside of home is further

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highlighted by the finding that almost a third of those requiring transportation (30% of veterans and spouses) report having difficulties arranging it (Appendices D and E, Table 53.1).

6. Aid and attendance

VA administrative data show that 20 percent of the veteran survey respondents and 16 percent of the spouses survey respondents were receiving an aid and attendance allowance or housebound benefits from VA as of June 2002 (Appendices D and E, Table 19). These benefits are provided to those who establish a medical need for assistance. Among the sampling groups, the highest percentage of respondents receiving aid and attendance allowance or housebound benefits from VA was recent recipients (29% of veterans and 30% of spouses), followed by the oldest respondents (33% of the veterans and 25% of the spouses). Since a primary reason for seeking pension benefits is poor health, it is not surprising that more recent participants receive aid and attendance or housebound benefits. However, since about two-thirds of all veteran pensioners and one-third of spouses report declining health as a reason for seeking a pension, it is surprising that the rate of aid and attendance and housebound benefits is substantially higher for recent participants than for all pensioners. Advancing age is likely to be associated with the need for assistance with the activities of daily living. Since aid and attendance and housebound benefits add \$250 to the monthly pension, it is expected that more of those with the largest award amounts (24% of veterans and 19% of spouses) are receiving aid and attendance or housebound benefits. Conversely, VA beneficiaries with children and the youngest respondents are the least likely to receive aid and attendance allowance or housebound benefits from VA (12% of veterans with children, 16% of the youngest veterans, 5% of spouses with children, and 5% of the youngest spouses).

C. WHAT ARE THE SOURCES AND USE OF HEALTH CARE?

Exhibit 4.8 summarizes the percentages of surveyed veterans and spouses with various sources of health insurance coverage. Health insurance is defined to be some form of health care coverage provided by the Government or a private insurer. Examples include private health insurance purchased by the veterans or provided by an employer, public programs such as Medicare or Medicaid, and treatment provided by VA or the Department of Defense (DoD) through their health care systems.

The vast majority of veterans have some form of health insurance (95%). Half of the veterans report that they have Medicare coverage, which is reasonable given that their average age is 67.8. The second most prevalent sources of health coverage are free health care at military hospitals⁵ (38%) and VA health care benefits⁶ (16%), which is also expected because of the respondents' veteran status. Few (less than 2 percent of veterans) report having health insurance provided by an employer.

Despite these survey responses, the Veterans Health Administration's (VHA) administrative files reveal that 74 percent of veteran pensioners received benefits from a VA health care provider in 2001; this percentage has increased since 1995 when only 47 percent of the pensioners received health care from VA. Between 1995 and 2001, 84 percent of veteran pensioners received health care from VA benefits (Table XX7, Appendix D). It appears that survey respondents underreported the medical care they

⁵ Although veterans reported receiving care at military hospitals, they are probably confusing care at military hospitals with care at VA hospitals. The income of military retirees (who qualify for care in military hospitals) is likely to exceed the pension income limit.

⁶ Although only 16 percent of survey respondents said that they have VA health insurance, 77 percent said that they use VA health care services, and according to administrative records, 89 percent have received VA health care services.

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received from VA. It is also possible that they received care from multiple sources, but did not report all of them.

Exhibit 4.8. Percentage of Veterans and Spouses with Various Health Insurance or Health Plans

Health Insurance or Health Plan	Percentage of Veterans	Percentage of Spouses
Medicare	50.1%	69.3%
Free health care at military hospitals	37.8%	0.0%
VA benefits	16.0%	0.9%
Medicaid	14.3%	46.5%
Private insurance	10.9%	17.7%
Other Government-paid health care	3.8%	4.5%
Medigap	2.7%	3.5%
Private insurance paid by employer	1.5%	2.3%
DoD Benefits	1.5%	0.5%
Other	1.0%	2.0%
Summary		
Total with Health Insurance	94.5%	87.4%
Total with No Health Insurance	5.0%	12.6%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 34

A somewhat different pattern of the results is found for the spouses. Although a lower percentage than veterans, nearly all (87%) of spouses have some form of health insurance. More than two-thirds have Medicare coverage (69%), which is expected because of the spouses' average age of 71 and 74 percent are over age 65. The second most prevalent source of health coverage for all spouses is Medicaid (47%), followed by private insurance that spouses pay for (18%). Results for spouses with children and spouses under age 65 are very different. Only 65 percent of spouses with children report having health insurance, and only 58 percent of spouses under age 65 have health insurance.

Exhibit 4.9 summarizes the primary sources of health care for veterans and spouses without health insurance. For the small percentage of respondents who report that they have no health insurance coverage (5% of the veterans and 13% of the spouses), the primary sources of health care are public health clinics (32% of veterans and 43% of spouses), hospital emergency rooms (29% of veterans and 22% of spouses), and out-of-pocket purchases of care (24% of veterans and 32% of spouses). Less than one-third of the respondents without health insurance (29% of veterans and 32% of spouses) report that they did not get the health care they needed because it was unaffordable. Slightly fewer uninsured veterans with children report not getting the health care they needed (26%) because it was unaffordable, and slightly more uninsured spouses with children (34%) say they did not get needed health care. Recently enrolled uninsured veterans are more likely to have gotten needed health care (only 17% did not get care); uninsured recently enrolled spouses are more likely not to have gotten needed health care (39% did not get care) (Table 34.10, Appendices D and E). The differences between recent veterans and spouses may have occurred because the spouse was dependent on the veteran for health

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care; after the veteran passed away (the major reason spouses sought a VA pension), the spouse no longer had insurance.

Exhibit 4.9. Sources of Health Care for Uninsured Veterans

Source of Health Care	Percentage of Uninsured Veterans	Percentage of Uninsured Spouses
Use a public health clinic	32.4%	42.7%
Go to a hospital emergency room	29.4%	22.0%
Do not get needed care because it is unaffordable	29.4%	31.7%
Go to a private doctor and pay out of pocket	23.5%	31.7%
Other source of care	11.8%	2.4%
Don't know or not sure	5.9%	2.4%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 34.10

Exhibit 4.10 summarizes the respondents' most frequently used health care services, including VA as well as non-VA health care services. Virtually all respondents report receiving health care services during the 12 months before the survey (95% of veterans and 93% of spouses). The most frequently used health care services are prescription medications (85% of veterans and 82% of spouses), doctor visits (79% of veterans and 82% of spouses), laboratory testing or monitoring (67% of veterans and 52% of spouses), and eye exams or eyeglasses (51% of veterans and 57% of spouses).

Exhibit 4.10. Health Care Services Used by Veterans and Spouses in the Past 12 Months

Type of Health Care Service Used	Percentage of Veterans	Percentage of Spouses
Prescription medications	84.5%	81.8%
Doctor visits	78.7%	82.4%
Laboratory testing or monitoring	66.6%	51.6%
Eye exams or eyeglasses	51.0%	56.5%
Emergency room visits	37.5%	32.7%
Walkers, canes, crutches, or other assistive devices	30.0%	24.7%
Hospitalization	26.4%	24.0%
Nonprescription medications	21.4%	40.5%
Dental care	18.9%	21.9%
Mental health services	15.8%	4.6%
Home health aide	8.6%	12.2%
Visiting nurse	7.7%	8.0%
Summary		
Some Health Care Services Used	95.1%	93.2%
No Health Care Services Used	4.9%	6.8%

Source: Survey of Veterans and Spouse Pensioners, Appendices D and E, Table 40a

D. DO VETERAN AND SPOUSE PENSIONERS HAVE HEALTH CARE?

I. Value of VA health care for veteran pensioners

Health care benefits comprise an important element of the package that VA provides to veterans who are eligible for pension. The section examines the VA health care benefit for pension beneficiaries in comparison with other types of health care benefits for which the veterans could be eligible.

As described above, VA has established a health care enrollment program and identified eight levels of priority for receiving care in a VA facility. The priority groups are shown in Exhibit 4.11. Most veterans who qualify for Improved Pension are in Priority Group 5.

Exhibit 4.11. Priority Groups for Care in VA Medical Facilities

Group	Eligibility
1	Veterans with service-connected disabilities rated 50% or more disabling
2	Veterans with service-connected disabilities rated 30% or 40% disabling
3	Veterans who are former POWs Veterans whose discharge was for a disability that was incurred or aggravated in the line of duty Veterans with service-connected disabilities rated 10% to 20% disabling
4	Veterans who are receiving aid and attendance or housebound benefits Veterans who have been determined by VA to be catastrophically disabled
5	Veterans with nonservice-connected disabilities and veterans with service-connected disabilities rated 0% whose annual income and net worth are below the established dollar thresholds
6	All other eligible veterans who are not required to make copayments for their care including: <ul style="list-style-type: none"> • World War I and Mexican Border War veterans • Veterans receiving care solely for disabilities resulting from exposure to toxic substances, radiation or for disorders associated with service in the Gulf War; or for any illness associated with service in combat in a war after the Gulf War or during a period of hostility after November 11, 1998 • Veterans with compensable 0% service-connected disabilities
7⁷	Veterans who agree to pay specified copayments with income and/or net worth above the VA Means Test threshold and income below the HUD geographic index
8	Veterans with non-service-connected disabilities and veterans with noncompensable 0% service-connected disabilities whose needed care cannot be provided by enrolling in any of the groups above and who agree to pay a specified copayment

Veterans receiving VA pension benefits may be eligible for health care from both VA and non-VA sources. In the most likely cases, a veteran could be eligible for VA care as well as for health care through Medicare or a State Medicaid program. Another, but less likely source, is care through an employer-provided medical plan resulting from the veteran's employment or from the veteran's spouse's employment. Or, the veteran may be entitled to receive care in a military treatment facility, or through

⁷ Section 202 of Public Law 107-135, enacted January 23, 2002, renumbered the previous Priority Group 7 to Priority Group 8 and established a new Priority Group 7 with the eligibility criteria shown.

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the DoD TRICARE program. Veterans who are eligible for employer or DoD coverage would in most cases have income levels that would exceed eligibility pension eligibility cutoffs.

For the purposes of this evaluation, we included the health care benefit programs below. The analysis does not address Medicaid programs, whose program designs vary from State to State.

- ◆ VA health care services provided by the Veterans' Health Administration
- ◆ Medicare
- ◆ DoD health care benefits including:
 - Treatment in a military treatment facility (MTF)
 - TRICARE including TRICARE Prime, Extra, Standard, and TRICARE for Life (TFL)
- ◆ Federal Employees Health Benefits Program (FEHBP)
- ◆ Private sector employer-provided health care plans
- ◆ Health care plans for employees in several selected States.

The health care plans we examine use various methods for delivering services. Some are traditional indemnity or fee-for-service (FFS) programs that permit self-referrals and have fewer managed care practices than other types of plans. Traditional Medicare is essentially an indemnity program. The next most rigorously managed plans are preferred provider organizations (PPOs) or point of service (POS) plans that use combinations of network and non-network providers and various forms of gatekeepers to manage service use and specialist referrals. The FEHBP plans, State employee plans, and the TRICARE plans are examples of these kinds of managed care approaches. Finally, some of the plans are health maintenance organizations (HMOs) that provide care on a capitated basis through a provider network. HMOs are the most restrictive regarding management of services. In addition to utilization controls, managed care plans such as PPOs, POS plans, and HMOs hold costs down by negotiating lower fees with network providers in exchange for access to patients.

The VA and MTF health care benefits have characteristics similar to HMOs in that there is a closed network of providers and gatekeepers that refer users to specialty care as needed. For nonactive duty beneficiaries, treatment in the MTF is provided on a space-available basis.

Other factors being the same, the cost of care is typically lower in plans with stronger management controls. The following paragraphs summarize our analysis approach and results.

Health care analysts use various methods to compare the cost and value of health care plans. However, cost and value are not interchangeable terms. The value of a health care plan is determined by the extent of the health care services it provides. The cost or premium of a health care plan is determined by many variables, including the plan design (or covered services), the service delivery and management approach (FFS, PPO, POS, or HMO), negotiated provider discounts for the cost of services, the experience of the covered population or group (their age and the likelihood of using the services), geographic location, funding methods, and actuarial and economic assumptions. Consequently, plans with the same value (same plan design) could have widely varying costs if the plan applies to participant groups having widely varying demographic and utilization characteristics, if services are provided on a fee-for-service or a managed-care basis, or if the providers of services have negotiated different reimbursement arrangements with the health care plans.

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Non-VA health care plans establish premiums on the basis of the anticipated cost of providing the services over the premium period, plus some additional amount for inflation, administration, and profit. Typically, the premium is based on prior utilization experience with the covered group or with a similar group and considers the type of management controls and any negotiated fees. Consequently, a comparison of premiums for non-VA plans with an annual per capita accounting cost for delivering VA health care services would not provide a valid comparison of the values of the health care services covering these different participant groups. Therefore, we did not conduct an analysis of benefit costs, but instead adopted the approach described below to address comparisons of benefit plan value.

Our analysis approach overcomes the equivalency problems cited above by using a set of claims that are representative of the individuals covered by employer-provided insurance plans in the United States. By applying this claims experience to each plan we analyze, we avoid any extraneous variations between groups such as demographic (age, sex, family size), geographic, as well as variations resulting from different negotiated prices for each group. Although the employer-provided insurance universe upon which the model is based is substantially different from the veteran universe, it is reasonable to use the model as an index to establish relative differences in plan values for purposes of this report. We calculate the value of each health care plan and then compute the ratio of each plan's value to the value of the VA health benefit for Priority Group 5 veterans. Veterans in Priority Groups 7 and 8 receive the same benefits as veterans in Priority Group 5 but must copay for some services. These ratios are reported in Exhibit 4.12.

Exhibit 4.12. Comparison of Health Care Plan Values—Self-Only Enrollment Plan Designs for 1999, 2000, and 2001 (VA Priority Group 5 Benefit Is Baseline)

Health Care Plan	1999	2000	2001
Federal Government Plans			
VA (Priority Group 5) ¹	1.00	1.00	1.00
VA (Priority Groups 7 and 8)	0.81	0.81	0.81
Medicare	0.63	0.63	0.63
TRICARE Prime ²	0.60	0.60	0.60
TRICARE Extra	0.68	0.69	0.73
TRICARE Standard	0.65	0.66	0.71
TRICARE for Life ³	N/A	N/A	0.92
MTF	1.08	1.08	1.08
FEHBP ⁴	0.64	0.64	0.64
Private Sector Plans			
High FFS	0.82	0.83	0.84
High PPO	0.88	0.88	0.89
Typical PPO	0.76	0.76	0.77
Typical POS	0.78	0.78	0.78
Low PPO	0.61	0.62	0.63
Low POS	0.66	0.66	0.67

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Health Care Plan	1999	2000	2001
State Employee Plans			
California	0.60	0.61	0.62
Florida	0.63	0.64	0.65
Illinois	0.71	0.71	0.72
Pennsylvania	0.79	0.79	0.80
Texas	0.73	0.74	0.74

¹ The VA health care benefits do not reflect the new cost-sharing features implemented for outpatient services (December 6, 2001) and prescription drugs (February 14, 2002). The new changes increase the prescription drug copayment from \$2 to \$7 for Priority Groups 5, 7 and 8 and establish an annual prescription drug maximum out-of-pocket limit of \$840 for Priority Group 5. The changes also reduce the Priority Group 7 and 8 outpatient copayment for primary care services to \$15 and for specialty services to \$50.

² TRICARE Prime value is a combination of TRICARE Prime and the TRICARE Point-of-Service (POS) option.

³ TRICARE for Life became effective on October 1, 2001.

⁴ FEHBP is a weighted average of the five most heavily subscribed Federal employee plans: Blue Cross/Blue Shield Standard Option, Mailhandlers (High Option), Government Employees Hospital Association (High Option), American Postal Workers Union (High Option), and National Association of Letter Carriers (High Option).

Source: Study Team

The principal findings of this analysis comparing the value of VA health care benefits with other coverage that pension recipients may receive are the following:

- ◆ The VA-provided health care benefits for veterans receiving pension (Priority Group 5) have a higher value than any other program, except for care available to retired veterans through the military treatment facility.
- ◆ Care in the MTF is provided on a space-available basis so an eligible veteran may not be able to gain access in all cases when care is needed.
- ◆ The main differences between the VA and MTF benefits are the requirement for the veteran to pay the Medicare deductible and a copayment for prescription drugs in the VA system, and the availability of dental services only through a referral. With the exception of these cost-sharing elements, all VA services for Priority Group 5 veterans are provided free of charge.
- ◆ The VA health care benefit for Priority Group 5 has a higher value than the care provided to veterans in Priority Groups 7 and 8 who are subject to an 80 percent coinsurance feature for numerous services.
- ◆ The VA health care benefit for Priority Group 5 has a higher value than the care provided through FEHBP, high-end private sector health care plans, State employee health care plans, and Medicare.
- ◆ These non-VA health care benefits require payment of higher deductibles and coinsurance and use managed care approaches for channeling patients to network providers and managing the use of services.
- ◆ VA health care benefits for Priority Group 7 and 8 veterans have a higher value than Medicare, TRICARE, and FEHBP plans.
- ◆ Benefits for Priority Group 7 and 8 veterans are also more valuable than the State plans and typical private sector plans. They are slightly below the high-end private sector plans.

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2. Use of VA health care by veteran pensioners

Exhibit 4.13 summarizes veterans' most frequently used VA health care services. Seventy-seven percent of veterans report receiving VA health care services during the 12 months before the survey (although only 16 percent say they have a VA health care plan, Table 34, Appendix D). The most frequently used VA health care services are prescription medications (66%), doctor visits (55%), and lab testing or monitoring (50%). Veterans also indicate that the closest VA health care facility was on average 47 miles away from their homes, while the VA health care facility that veterans use the most was 48 miles away (Appendix D, Table 36).

Exhibit 4.13. VA Health Care Services Used by Veterans in the Past 12 Months

Type of VA Health Care Service Used	Percentage of Veterans
Prescription medications	66.3%
Doctor visits	55.2%
Laboratory testing or monitoring	49.6%
Eye exams or eyeglasses	26.1%
Emergency room visits	18.2%
Walkers, canes, crutches, or other assistive devices	18.0%
Mental health services	13.9%
Hospitalization	13.0%
Nonprescription medications	8.6%
Hearing aids	6.1%
Dental care	5.9%
Summary	
Some VA Health Care Services Used	77.4%
No VA Health Care Services Used	22.6%

Source: Survey of Veteran Pensioners, Appendix D, Table 40b

Exhibit 4.14 summarizes veterans' most prevalent reasons for using VA health care services among the 89 percent of veterans who, according to administrative records, used VA health care services in the past 12 months. Inability to afford non-VA health care (57%), no cost of the VA health care (56%), and quality of the VA health care (49%) are the most frequently reported reasons for using VA health care services.

Exhibit 4.14. Veterans' Reasons for Using VA Health Care Services

Reasons for Using VA Health Care Services	Percentage of Veterans Who Used VA Health Care Services
Cannot afford other providers or doctors	57.4%
Free	55.6%
Quality of health care	48.6%
Convenient location	31.8%
Low cost	28.5%
Do not like other providers or doctors	7.5%

Source: Survey of Veteran Pensioners, Appendix D, Table 37

CHAPTER 4. DESCRIPTION OF VETERAN AND SPOUSE PENSIONERS

Almost half of the veterans using VA health care services report having difficulties using them (48%) (Appendix D, Table 37). The most frequently cited difficulties in using VA health care services are problems in arranging transportation to the VA health care facility (25%), lengthy waiting periods (21%), difficulties in scheduling an appointment (13%), lack of the needed health care services (11%), and poor quality of the VA health care services (8%).

Exhibit 4.15 summarizes veterans' most prevalent reasons for not using VA health care services among veterans who, according to administrative records, did not use VA health care services. The 11 percent of veterans who did not use VA health care in the past year cite inconvenient location (38%), lack of need (22%), and preference for other health care providers (14%) as the most frequently reported reasons for not using VA health care services.

Exhibit 4.15. Veterans' Reasons for Not Using VA Health Care Services

Reasons for Not Using VA Health Care Services	Percentage of Those Veterans Who Did Not Use VA Health Care Services
Inconvenient location	37.8%
Do not need them because primary insurance covers health care needs	21.6%
Prefer other providers or doctors	13.5%
Not aware of VA health care services	12.2%
Do not like quality of health care	8.1%
Do not qualify for VA health care services	4.1%
Note: Percents are for the 11 percent of veterans who, according to administrative records, did not use VA health care.	

Source: Survey of Veteran Pensioners, Appendix D, Table 39

Compared with the majority of the veterans who have used VA health care services, an extremely small percentage of spouses report using VA health care services in the past 12 months (0.3%) [Appendix E, Table 40b] or have used VA health care services according to administrative records (0.5%).

E. ARE PENSIONERS EMPLOYED?

The major question regarding the program outcome of income support that the study attempted to answer is: Are incentives to work preserved for program participants? The employability of VA pension recipients depends on factors such as the claimant's age and health status. In the survey, respondents were asked about their employment and participation in the labor force. Respondents under age 65 were asked whether they were working, seeking work, or not seeking work. If they were not seeking work, they were asked about barriers to employment (disability, child care, bereavement, health problems, transportation) and the extent to which the dollar-for-dollar reduction in benefits influenced their decision not to pursue employment.

Among veteran respondents, 38 percent were younger than 65, while 28 percent of the spouses were younger than 65 at the time they completed the survey. These respondents were asked about their employment situation (Appendices D and E, Table 57). Only 1 percent of the respondents younger than 65 (the same percent of veterans and spouses) indicated that they were employed (or on vacation or on leave from a job). Among those younger than 65, 4 percent of veterans and 10 percent of spouses

CHAPTER 4. DESCRIPTION OF VETERAN AND SPOUSE PENSIONERS

responded that they were looking for a job. Among VA pensioners younger than 65 who were unemployed and not looking for a job (93% of veterans and 85% of spouses), the average time since they held their last job is 10 years for veterans and 14 years for spouses. Interestingly, respondents with the least amount of benefits are more likely to be unemployed (94% of veterans and 100% of spouses) than respondents with larger benefit amounts.

Exhibit 4.16 indicates that the majority of respondents under age 65 are not employed or seeking employment due to disability or health problems (95% of veterans and 69% of spouses). Conversely, a small percentage of unemployed respondents indicate that they either do not have the skills required by the workplace (1% of veterans and 7% of spouses) or the means of transportation to get to a job (1% of veterans and 5% of spouses). Furthermore, the VA pension does not appear to be hindering respondents' incentives for work as only 2 percent of unemployed veterans and 7 percent of unemployed spouses report not working because VA pension benefits would be reduced for every dollar earned. Interestingly, the most likely respondents to report not working due to the VA benefits being reduced for every dollar earned are respondents with children (4% of veterans and 9% of spouses) and those with the largest awards (3% of veterans and 9% of spouses) (Appendices D and E, Table 57.3).

Exhibit 4.16. Veterans' and Spouses' Reasons for Not Working or Looking for Work

Reasons for Not Working or Looking for Work	Percentage of Unemployed Veterans	Percentage of Unemployed Spouses
Disabled or have health problems	95.3%	69.0%
Retired	3.4%	7.7%
Depression, bereavement, or coping with loss	3.0%	5.2%
Lost job—got laid off or fired	2.6%	2.6%
Because VA pension benefits would be reduced for every dollar earned	2.1%	7.1%
Stopped looking for work because could not find work	1.7%	2.6%
Do not have skills required by the workplace	1.3%	6.5%
Do not have a car or transportation	1.3%	5.2%
Do not know where to find work	0.9%	1.9%
No suitable jobs in the area	0.4%	3.2%
Too many other things to take care of	0.4%	9.0%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 57.3

Of the veterans who are under 65, 20 percent state that job training would help them prepare for employment or improve their employment, whereas 51 percent would use VA vocational rehabilitation services if it was available in the local community (Appendix D, Table 58). These results suggest that although many veterans may benefit from employment training, poor health and disability status is the most important cause of veterans' unemployment. A somewhat different pattern of the results is found for spouses. Of the spouses who are under 65, 29 percent state that job training would help them prepare for employment or improve their employment. However, only half of a percent would use VA vocational rehabilitation services if such services (not currently available to them) were made available to them (Appendix E, Table 58). These results suggest that, similarly to the veterans, many spouses may benefit from employment training. However, unlike veterans, VA is not the source that they would use for vocational rehabilitation services if such services were made available to them.

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Another measure of the incentive to work is to investigate how responsive the number of new claimants and the terminations are to conditions of local economies. The number of new claimants declining in response to a greater availability of jobs, for example, would indicate that the incentive to work is preserved. Our analysis of the new enrollees and terminations and the condition of the economy (i.e., unemployment rates) did not reveal any significant correlation between these two factors. Since the average age of new pension claimants—65 for veterans and 72 for spouses—is beyond retirement age, local economic conditions and unemployment rates are not likely to be influential on new VA Pension claims.

F. SUMMARY

The largest age group of veterans represented among respondents is aged 65–79, followed closely by those aged younger than 64. The profile of the veterans indicates that most beneficiaries are White men in their late sixties, not highly educated, who are or were married. A different profile is found for the spouses. Spouses are slightly older than veterans—the largest age groups are spouses aged 65–79, followed by those 80 years of age or older. The educational level of pensioners corresponds to their economic situation—44 percent of veterans and 60 percent of spouses do not have a high school diploma. A substantial percentage of respondents identify themselves as non-White—25 percent for veterans and 31 percent for spouses. The most frequent minority race among pensioners is African American. Almost half of the veterans and three-quarters of the spouses live by themselves, and those who do live with other people have spouses (for veterans) and/or adult children living with them. Forty-two percent of veterans and almost half of the spouses are homeowners.

Veterans and spouses are in fair to poor health, with an average of four concurrent health problems. Almost three-quarters of the surveyed veterans and more than half of the spouses have significant physical limitations that affect their mobility, including climbing stairs and walking. Overall, many of the respondents (62% of veterans and 49% of spouses) report that they stay at home most of the time due to disabilities or health problems. An additional 11 percent of veterans and 7 percent of spouses are bed-ridden. About 20 percent of homebound pensioners receive aid and attendance or housebound benefits from VA. Nearly half of the veterans and more than one-third of the spouses need help to perform activities of daily living, such as shopping, cooking, and cleaning. Veterans are more likely to transport themselves by their own car; spouses are more likely to ask someone to give them a ride when they need to leave their home.

The vast majority of the veterans and spouses have health care coverage, primarily through Medicare or Medicaid and for the veterans, military health care services⁸ and VA. A small minority of veterans and spouses who have no health care coverage get health care by going to emergency rooms, paying out of pocket, or avoid using health care services altogether. Those most likely not to have health care coverage are veterans and spouses with children. The primary health care services used by respondents are prescription medicines, doctor visits, eyeglasses or eye exams, and laboratory tests.

Seventy-seven percent of veterans report receiving health care services from VA during the 12 months before the survey (although only 16 percent say they have a VA health care plan). The most frequently used VA health care services are prescription medications (66%), doctor visits (55%), and lab testing or monitoring (50%). The VA-provided health care benefits for veterans receiving pension (Priority

⁸ It is likely that pensioners confuse care in military hospitals with VA hospitals. Those who qualify for care in military hospitals are likely to have higher incomes than pensioners.

CHAPTER 4. DESCRIPTION OF VETERAN AND SPOUSE PENSIONERS

Group 5) have a higher value than any other program except for care available to retired veterans through the military treatment facility

Given their age and health status, most VA pensioners are not employed. Among those under 65 who are not employed, poor health and disabilities is the predominant reason they give for not working. A few respondents (7% of unemployed veterans and 9% of unemployed spouses who are under 65) cite the dollar-for-dollar reduction in VA pension as a disincentive to work. Given most pensioners' age and health status, the VA Pension program does not displace work.

CHAPTER 5. ASSETS, EXPENSES, AND DEBT

VA pensioners' overall finances are affected by their assets, expenses, and debt. This chapter describes veterans' and spouses' assets, expenses, and debt and provides further description of the financial circumstances of GVA pensioners.

A. WHAT ASSETS DO VA PENSIONERS HAVE?

I. Types of assets that veterans and spouses have (including land)

Given their overall financial situation, most pensioners report extremely limited financial resources that they could immediately use to cover daily living expenses or emergencies. The survey results indicate that most VA Pensioners, like parents who receive Disability and Compensation (DIC) benefits, live on limited resources and do not have financial means available to cover additional unexpected expenses or to draw on for an extended period of time.

Exhibit 5.1 presents the assets reported by pensioners, revealing that spouses have asset levels nearly identical to that of parents who receive DIC benefits. About half of the respondents (48% of veterans and 56% of spouses) lack any assets valued at more than \$1,000. The most frequently reported assets valued at more than \$1,000 include a home (42% of veterans and 38% of spouses) and a car or vehicle (37% of veterans and 20% of spouses). Most pensioners totally lack liquid assets such as bank accounts, retirement savings, or property such as farm, ranch, or real estate that they could use to cover their living expenses. Only about 5 percent of veterans and 2 percent of spouses have investments or bank accounts. More veteran pensioners younger than 65 lack assets (56%) (Appendix D, Tables 46 and 49.1); fewer (34%) own a home. Among the spouses, those with the least amount of benefits and those aged 80 or older lack assets (60% and 61%, respectively), especially a car or vehicle (16% and 14%, respectively, have a car or other vehicle) (Appendix E, Table 46).

Exhibit 5.1. Percentage of Veterans and Spouses with Assets Worth More Than \$1,000

Assets	Percentage of Veterans	Percentage of Spouses
No assets	47.7%	56.1%
Some assets	52.3%	43.9%
Types of Assets		
Home*	42.2%	37.9%
Cars or vehicles	34.4%	19.7%
Investment or bank accounts	4.6%	2.0%
Farm or ranch	1%	<1%
Retirement savings	1%	<1%
Real estate or rental property other than a home	<1%	<1%
Boats	<1%	0%
Business	<1%	0%
Other assets	<1%	0%

*Some veterans failed to report a home as an asset; homeownership was taken from Table 49.1, which asks respondents whether they own their home, rent, live with someone without paying rent, or live in a nursing home or another group setting.

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 46

CHAPTER 5. ASSETS, EXPENSES, AND DEBT

In addition to not reporting any assets, many respondents state that they do not have any savings that they could tap for immediate use. Overall, only about one-quarter of the respondents (26% of veterans and 21% of spouses) report having savings of any kind (Exhibit 5.2). This percentage is even smaller for respondents with children (18% of veterans and 17% of spouses) (Appendices D and E, Table 47). Of the respondents with some savings, 23 percent of veterans and 18 percent of spouses have between \$1,000 and \$2,000, and 22 percent of veterans and spouses have considerably less—between \$100 and \$499. VA pensioners who have some savings have an average amount of \$2,028 for veterans and \$2,771 for spouses (Appendices D and E, Table 47). However, the average amount of available savings is much smaller for respondents with children (\$932 for veterans and \$490 for spouses).

Exhibit 5.2. Percentage of Veterans and Spouses with Savings They Can Use Immediately

Savings	Percentage of Veterans	Percentage of Spouses
No savings	73.9%	78.9%
Some savings	26.1%	21.1%
Of those with savings		
Less than \$100	10.7%	13.1%
\$100–\$499	22.0%	21.9%
\$500–\$999	15.8%	15.3%
\$1,000–\$2,000	22.6%	17.5%
More than \$2,000	14.1%	13.1%
Don't know/Not sure	11.3%	13.1%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 47

2. Income-producing assets and net worth

The survey also inquired about income-producing assets that veterans and spouses might draw upon to pay for living expenses. Respondents lack financial resources that could be provided through a farm, ranch, or other real estate. Only 1 percent of the surveyed veterans and less than 1 percent of spouses (0.6%) own a farm or ranch that they could either sell to gain additional liquid resources or use as a source of additional income (Exhibit 5.1). Furthermore, of the very small number of respondents who own a farm or ranch, about half (57% of veterans and 50% of spouses) do not operate their farms or ranches, mostly because of health problems (Appendices D and E, Table 46.1.2.2). Few pensioners report income-producing assets, such as ranches or farms that could provide income or could be liquidated to improve their financial position.

Other potential sources of income, such as income tax refunds, insurance policies, or inherited assets that VA program participants could use to meet their expenses are scarce among the respondents, and the dollar-amount of these resources is small. During the past 12 months, only 3 percent of the veterans and 2 percent of the spouses received an earned income tax credit, while only about 2 percent of veterans and 3 percent of spouses received an inheritance or a life insurance payment that they could use as an additional source of income to meet living expenses (Appendices D and E, Table 69). For some VA pensioners who have these additional sources of income, the average amount is small: Average amount of inheritance or life insurance payment received before taxes is \$12,692 for veterans and \$11,973 for spouses, while average amount of earned income tax credit is \$765 for veterans and \$505 for spouses.

VA administrative records show that most veterans (67%) and spouses (71%) have a zero net worth. (Appendices D and E, Table XX6) The average net worth for the 33 percent of veterans with any net worth is \$1,897; for the 29 percent of spouses with any net worth, the average is \$1,618.

B. WHAT ARE PENSIONERS’ LIVING EXPENSES?

I. Three highest living expenses of veteran and spouse pensioners

The overall financial circumstances of VA pensioners are further revealed by the kinds of expenses that veterans and spouses have and the way they pay for them. During the past 12 months, respondents spent most of their resources on food (65% of veterans and 60% of spouses), utilities (64% of veterans and 71% of spouses), and housing (54% of veterans and 46% of spouses) (Exhibits 5.3.a and 5.3.b). Respondents spent an average of about \$4,000 to cover their housing expenses during the past year, while food and utilities cost them more than \$2,000. Although health care is not the most frequently cited living expense (16% of veterans and 23% of spouses), it is the second most costly expense, averaging about \$3,000.

Exhibit 5.3.a. The Six Living Expenses Most Cited by Veterans as Their Three Highest During the Past 12 Months

Expenses	Percentage of Veterans Identifying the Expense as One of Their Top Three	Average Expense of Those Identifying Expense
Food or groceries	64.7%	\$2,941
Utilities	63.5%	\$2,286
Housing, including rent or mortgage	53.5%	\$4,317
Car or transportation	22.7%	\$1,836
Health care expenses	15.8%	\$3,156
Taxes (income, property, or other)	8.4%	\$ 863

Source: Survey of Veteran Pensioners, Appendix D, Tables 70 and 70a

Exhibit 5.3.b. The Six Living Expenses Most Cited by Spouses as Their Three Highest During the Past 12 Months

Expenses	Percentage of Spouses Identifying the Expense as One of Their Top Three	Average Expense of Those Identifying Expense
Utilities	71.3%	\$1,992
Food or groceries	60.4%	\$2,017
Housing, including rent or mortgage	46.2%	\$3,962
Health care expenses	23.3%	\$2,845
Car or transportation	14.2%	\$1,293
Taxes (income, property, or other)	10.0%	\$793

Source: Survey of Spouse Pensioners, Appendix E, Tables 70 and 70a

Higher percentages of veterans under the age of 65 identify food and housing as areas where they spent the most money during the past year (69% and 65%, respectively) (Appendix D, Table 70). Veterans

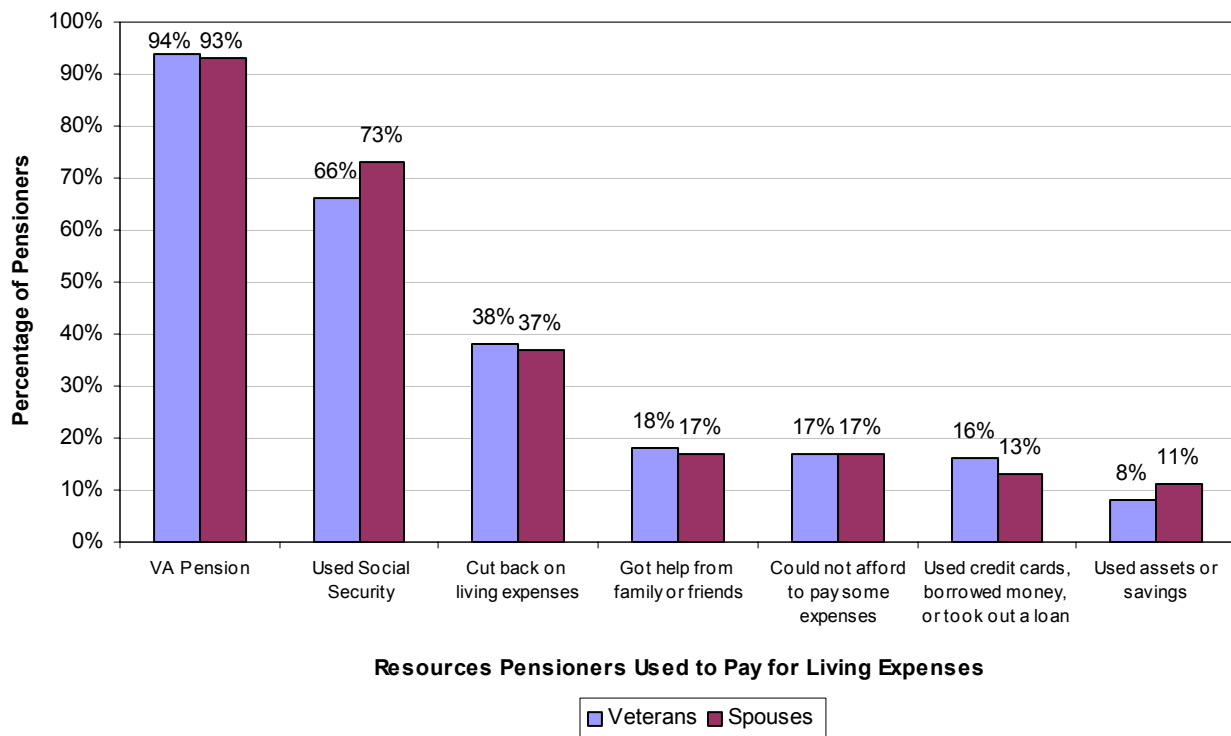
CHAPTER 5. ASSETS, EXPENSES, AND DEBT

80 years of age or older are more likely to report utilities and health care as their highest living expenses (66% and 26%, respectively) than younger respondents. Furthermore, veterans with children are much more likely to identify food and housing as their prominent living expenses (67% and 78%, respectively) than other respondents. A somewhat comparable pattern of results was found for spouses. Higher percentages of spouses under the age of 65 identify utilities and housing as areas where they spent the most money during the past year (76% and 61%, respectively) (Appendix E, Table 70). Spouses with children are more likely to report food and housing as their most prominent living expenses (67% and 61%, respectively) than other spouse respondents. Health care expenses are cited most frequently by the older spouses and those who began receiving VA benefits in 2000 (26% and 34%, respectively).

2. Resources that pensioners use to pay for their living expenses

Most pension recipients used VA pension (94% of veterans and 93% of spouses) or relied on Social Security (67% of veterans and 73% of spouses) to pay for their living expenses in the past 12 months (Exhibit 5.4). However, the limitations or nonexistence of other financial resources is apparent, as substantial percentages of veterans and spouses had to cut back on their living expenses (39% of veterans and 37% of spouses), got help from family or friends (18% of veterans and 17% of spouses), used credit cards or a loan to pay for their living expenses (16% of veterans and 11% of spouses), or simply could not afford to pay for some expenses (17% of veterans and 17% of spouses). Only 8 percent of veterans and 5 percent of spouses used assets or savings to cover living expenses.

Exhibit 5.4. Resources Pensioners Used to Pay for Living Expenses in the Past 12 Months



Source: Appendices D and E, Survey of Veteran and Spouse Pensioners, Table 71

Younger pensioners and pensioners with children have more difficulty meeting expenses. They are more likely to cut back on living expenses, get help from family or friends, not be able to afford to pay for living expenses, and use loans to cover living expenses than older respondents (Appendices D and E, Table 71). For instance, 43 percent of veterans and 45 percent of spouses younger than 65 cut back on living expenses, compared with 39 percent of veterans and 35 percent of spouses aged 65–79 and 31 percent of veterans and 33 percent of spouses 80 years of age or older. Similarly, 21 percent of veterans and 24 percent of spouses younger than 65 could not pay for some living expenses, compared with 15 percent of veterans and 17 percent of spouses aged 65–79 and 12 percent of veterans and spouses 80 years of age or older. Pensioners with children are also unable to pay for some living expenses—27 percent of veterans with children and 30 percent of spouses with children are unable to afford to pay for some living expenses, compared with 17 percent of all veterans and all spouses. Twenty-nine percent of spouses with children and 25 percent of veterans with children get help from family or friends, whereas 17 percent of all spouses and 18 percent of all veterans use this strategy.

3. Paying for others' living expenses, including health care

Less than one quarter of the veterans (21%) pay for someone else's living expenses (Appendix D, Table 54). The veterans usually pay for the expenses of their spouses (14%) or minor children aged 6–18 (4%). Similarly, a small percentage of the surveyed veterans (15%) pay for anyone else's health care (Appendix D, Table 43). Veterans typically pay for the health care of spouses (13%) and minor children aged 6–18 (1%). Spouses are even less likely than veterans to pay for other people's living expenses (4%) or health care expenses (1%) (Appendix D, Tables 54 and 43). Spouses are most likely to pay for the living expenses and health care expenses of their adult children (1% and 0.5%, respectively).

4. Pensioners' health care payments

Slightly more than one-quarter of the veterans (28%) and about one-third of the spouses (32%) indicate that they paid for health care services out of pocket—expenses that were not covered by insurance during the past year (Exhibits 5.5.a and 5.5.b). Respondents who have health care expenses report their total health care expenses in the past year as just more than \$1,500.¹ The most prevalent health care services that respondents pay for out of pocket are prescription medications (10% of veterans and 17% of spouses), doctor visits (8% of veterans and 12% of spouses), eyeglasses or eye exams (6% of veterans and 7% of spouses), dental care (6% of veterans and 4% of spouses), emergency room visits (4% of veterans and 3% of spouses), and nonprescription medications (2% of veterans and 5% of spouses). Among these health care expenses, prescription medications have the highest average annual cost (\$1,332 for veterans and \$1,051 for spouses), followed by emergency room visits (\$868 for veterans and \$420 for spouses), dental care (\$864 for veterans and \$553 for spouses), doctor visits (\$508 for veterans and \$281 for spouses), and eyeglasses or eye exams (\$282 for veterans and \$173 for spouses). Hospitalization is an additional health care expense that is not frequently cited (2% of veterans and 2% of spouses), but it has a substantial annual cost of \$5,341 for veterans and \$1,146 for spouses (Appendices D and E, Tables 42.1a and 42.1a.a).

¹ According to VA administrative records from January through June 2002, 29 percent of veterans and 31 percent of spouses claimed medical expenses, and the annual average for those claiming medical deductions is \$6,982 for veterans and \$8,249 for spouses (Table 13, Appendices D and E). Although similar percentages of survey respondents reported unreimbursed out-of-pocket medical expenses, the amount reported in the survey was much lower than the amounts claimed to VA. This may have occurred because of the timing of the survey. Respondents may have reported unreimbursed out-of-pocket medical expenses in the survey that they did not claim to VA or out-of-pocket expenses for which they had not been reimbursed by VA at the time of the survey.

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Exhibit 5.5.a. Veterans' Health Care Expenses in the Past 12 Months

Most Frequently Cited Health Care Expenses	Percentage of Veterans	Annual Amount
Prescription medications	9.6%	\$1,332
Doctor visits	7.7%	\$508
Eyeglasses and/or eye exams	6.1%	\$282
Dental care	5.9%	\$864
Emergency room visits	3.8%	\$868
Nonprescription medications recommended by a doctor	1.9%	\$349
Any/All Health Care Expenses	27.5%	\$1,726

Source: Survey of Veteran Pensioners, Appendix D, Tables 42.1a and 42.1a.a

Exhibit 5.5.b. Spouses' Health Care Expenses in the Past 12 Months

Most Frequently Cited Health Care Expenses	Percentage of Spouses	Annual Amount
Prescription medications	16.8%	\$1,051
Doctor visits	11.7%	\$281
Eyeglasses and/or eye exams	6.6%	\$173
Dental care	3.5%	\$553
Nonprescription medications recommended by a doctor	4.8%	\$246
Emergency room visits	2.8%	\$420
Any/All Health Care Expenses	32.0%	\$1,508

Source: Survey of Spouse Pensioners, Appendix E, Tables 42.1a and 42.1a.a

More veterans 80 years of age and older pay for health care expenses not covered by insurance (35%) than younger veterans (29%) (Appendix D, Table 42.1a). That may occur because older veterans require more health care services or because they are more likely to use health care services when they need it, even if they pay out of pocket for some or all of the expenses. More veterans 80 years of age or older report that they receive all of the health care services that they need (81%) than younger veterans (61%) (Appendix D, Table 41). More younger veterans (49%) report that they cut back on health care expenses to make ends meet than older veterans (29%) (Table 75b). Similarly, veterans receiving \$100 or less are more likely to pay out of pocket for health care expenses not covered by insurance (33%) and pay larger amounts (\$3,124) than those receiving larger VA pensions (27%).

The opposite pattern of results is found for the spouses. The youngest spouses are more likely to pay out of pocket for health care expenses (46%) than older respondents (29%) (Appendix E, Table 42.1a). This finding corresponds with health insurance coverage—42 percent of spouses under age 65 have no health insurance; only 3 percent of spouses over age 80 have no health insurance. Spouses with the largest pensions are more likely to pay for health care that is not covered by insurance (40%) and pay larger amounts (\$2,118) than those who receive smaller pension amounts. Veterans with children have similar patterns of payments for health care as veterans overall. However, more spouses with children (39%) pay for health care than spouses overall (32%). About one-third (35%) of spouses with children have no health insurance. More spouses with children than spouses overall pay for prescription medicines (23% versus 17%), doctor visits (20% versus 12%), and emergency room visits (8% versus 3%).

CHAPTER 5. ASSETS, EXPENSES, AND DEBT

5. Spouses' payments for those previously supported by a deceased veteran

Most of the spouses' income was provided by the deceased veteran (90%) when he or she was alive, with the largest percentage of spouses reporting that all of their family income was provided by the deceased veteran (59%) (Appendix E, Table 56SP.4). Upon the death of the veteran, many spouses had to assume financial responsibility for themselves. The deceased veterans mostly provided financial assistance to the spouses (89%). Very few deceased veterans had supported minor children (2%), adult children (1%), or grandchildren (0.2%). As a result, only 3 percent of the spouses report that they are now financially supporting dependents of the deceased veteran other than themselves (Appendix E, Table 56SP.2.2X). Some of these spouses report spending half of their income (23%) or all of their income (41%) to financially support dependents of the deceased veteran (Appendix E, Table 56SP.2.2). About one third (31%) of the spouses with a child say that they are providing at least half of their income to financially support a dependent of the veteran. This suggests that the child's pension is not sufficient to pay for his or her entire support.

6. Sources of assistance in paying for living expenses

Overall, 18 percent of the surveyed veterans and the same percentage of spouses received assistance from other people to pay for their living expenses in the past 12 months (Exhibit 5.6). The most prevalent living expenses that respondents receive financial assistance for are food (10% of veterans and 11% of spouses), housing (10% of veterans and 8% of spouses), and utilities (7% of veterans and 7% of spouses). Younger veterans are most likely to receive assistance paying for their living expenses (22%), followed closely by veterans with children (21%), those with the minimum award amount (21%), and recent awardees (21%) (Appendix D, Table 56). Somewhat different patterns of the results are found for the spouses. Younger spouses are most likely to receive assistance paying for their living expenses (28%), followed by those with the largest award amount (23%), recent awardees (22%), and spouses with children (22%) (Appendix E, Table 56).

Exhibit 5.6. Percentage of Veterans and Spouses Who Receive Help from Others to Pay for Various Living Expenses

Living Expenses That Other People Help Pensioners Pay for	Percentage of Veterans	Percentage of Spouses
Food or groceries	9.6%	10.6%
Housing, such as rent or mortgage	9.5%	7.7%
Utilities	6.8%	7.2%
Car or transportation	2.7%	2.6%
Health care expenses	1.8%	2.9%
Loans or debts	1.3%	0.5%
Clothes or shoes	1.3%	2.5%
Taxes (income, property, any other taxes)	0.9%	0.8%
Life insurance, homeowner's insurance, or other home insurance	0.9%	0.6%
Child-related expenses, such as childcare, preschool, school tuition, enrichment programs, tutoring, or child support	0.4%	0.0%
Other expenses	0.4%	0.6%
Total Receiving Some Support	18.0%	18.2%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 56

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Exhibit 5.7 presents people who are most likely to help pensioners pay for their living expenses. Among all veterans, adult children (6%), parents (3%), and spouses (2%) are the most frequently cited sources of support. Veterans over age 80 are more likely to receive assistance from spouses (6%) and adult children (10%) than veterans under 65; those under 65 rely more on siblings (4%), parents (6%), and friends (4%) than older respondents (Appendix D, Table 56.a.x).

Exhibit 5.7. People Who Provide Financial Assistance to Pensioners

People Who Help Pay for Their Pensioners' Living Expenses	Percentage of Veterans	Percentage of Spouses
Adult children	6.2%	12.8%
Parents	2.5%	0.9%
Spouse	2.4%	0.0%
Significant other	1.9%	0.2%
Siblings	1.9%	1.2%
Friends	1.5%	0.8%
Charitable organization	1.3%	1.8%
Other relatives	0.7%	0.5%
Minor children under 18	0.3%	0.2%
Grandchildren	0.3%	0.0%
Nonrelatives	0.1%	0.3%
Total Receiving Some Support	18.0%	18.2%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 56.a.x

Spouses have a somewhat different pattern of assistance, although adult children (13%) are the predominant source of support. Spouses receive support from charitable organizations (2%), siblings (1%), and parents (1%). Spouses who are over 80 years old are more likely to receive assistance from adult children (14%) than younger respondents, while the spouses who are under 65 rely more on siblings (5%), parents (2%), friends (2%), and charitable organizations (4%) than older respondents (Appendix E, Table 56.a.x).

C. WHAT DEBTS DO PENSIONERS HAVE?

I. Types and amounts of respondents' debt

Personal debt is another expense that veterans and spouses must cover, as shown in Exhibits 5.8a and 5.8b. A substantial proportion of respondents have accrued debt that detracts from the resources available for meeting current living expenses. Almost half of the veterans (46%) and more than one-third of spouses (36%) have some debt that they are obligated to pay, averaging \$16,555 for veterans and \$11,144 for spouses (Exhibits 5.8.a and 5.8.b). The primary sources of debt are credit cards (21% of veterans and 18% of spouses), unpaid health care bills (12% of veterans and 10% of spouses), and home mortgages (11% of veterans and 6% of spouses). Debt is inversely related to age. More respondents under age 65 (62% of veterans and 56% of spouses) have debt than those aged 65–79 (39% of veterans and 36% of spouses) or respondents 80 years of age or older (26% of veterans and 20% of spouses). This trend is consistent for all major sources of respondents' debt. VA pensioners with children comprise another group of respondents who are more likely to report having substantially greater amounts of debt than any other group of respondents. Three-quarters of the veterans with children

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and 63 percent of spouses with children have debt, with an overall average amount of \$29,815 for veterans and \$21,390 for spouses (Appendices D and E, Tables 48.1 and 48.1a).

With respect to the amount owed by the veterans, home mortgages (averaging \$37,639), health care bills (averaging \$9,661), and vehicle loans (averaging \$7,929) are among the largest sources of debt. Child support or alimony produces a substantial amount of debt (averaging \$9,944), despite the small percentage of veterans reporting it (2%). Somewhat different results are found for spouses. The largest debt sources for spouses are home mortgage (averaging \$34,896), credit cards (averaging \$4,045), and vehicle loans (averaging \$4,059). Educational loans also produce a substantial amount of debt (averaging \$9,800 for those with educational loans), despite the small percentage of spouses reporting this debt (1%). All spouses with educational loans are under age 65; 5 percent of spouses with children have educational loans.

Exhibit 5.8.a. Most Frequent Sources of Veterans' Debt and the Average Amount of Debt

Source of Veterans' Debt	Overall Percentage	Average Amount of Debt	Percentage of Veterans by Age Group		
			64 and Younger	65–79	80 and Older
Credit cards	21.3%	\$4,375	28.0%	18.0%	10.4%
Unpaid health care bills	12.4%	\$9,661	16.8%	9.9%	7.6%
Home mortgages	11.2%	\$37,639	14.5%	9.9%	4.2%
Car or vehicle loans	9.3%	\$7,929	11.2%	8.1%	3.5%
Other consumer loans	5.2%	\$3,713	7.9%	3.7%	2.8%
Personal loans—owe money to people	4.3%	\$4,114	7.0%	2.9%	2.1%
Any Debt	45.5%	\$16,555	61.7%	38.6%	26.4%

Source: Appendix D, Survey of Veteran Pensioners, Tables 48.1 and 48.1a

Exhibit 5.8.b. Most Frequent Sources of Spouses' Debt and the Average Amount of Debt

Sources of Spouses' Debt	Overall Percentage	Average Amount of Debt	Percentage of Spouses		
			Age Group		
			64 and Younger	65–79	80 and Older
Credit cards	18.2%	\$4,045	30.3%	17.8%	9.9%
Unpaid health care bills	10.0%	\$2,835	18.7%	7.0%	6.7%
Home mortgages	6.3%	\$34,896	11.0%	6.2%	2.7%
Personal loans—owe money to people	5.1%	\$3,223	10.3%	3.9%	2.2%
Car or vehicle loans	4.5%	\$4,059	7.7%	5.0%	0.4%
Other consumer loans	2.9%	\$2,514	6.5%	2.3%	1.3%
Any Debt	35.7%	\$11,144	56.1%	35.7%	20.2%

Source: Appendix E, Survey of Spouse Pensioners, Tables 48.1 and 48.1a

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2. Living expenses paid by incurring debt

Some participants incur debt to pay for basic living expenses. Exhibit 5.9 presents the most frequent living expenses that pensioners pay for by using credit cards or taking out loans. Slightly more than one-fourth (27%) of the surveyed veterans and one-fifth (23%) of the spouses indicate that they use credit cards, consumer loans, or personal loans to pay for their daily living expenses. Food and clothing and shoes are the expenses most frequently paid for with credit, with 13 percent of veterans and 9 percent of spouses using credit to pay for food and 10 percent of all pensioners using credit to pay for clothing and shoes. As with other sources of debt, more pensioners with children use credit to pay for living expenses—48 percent of veterans and 39 percent of spouses. More younger pensioners tend to use credit to pay for living expenses than other respondents (Appendices D and E, Table 48.1.5.1x).

Exhibit 5.9. Most Frequently Cited Living Expenses Pensioners Paid For by Using Credit Cards, Consumer, or Personal Loans

Living Expenses	Percentage of Veterans who Incurred Debt to Cover This Expense	Percentage of Spouses who Incurred Debt to Cover This Expense
Food or groceries	12.7%	8.6%
Clothing or shoes	9.9%	9.7%
Car or transportation	8.9%	3.9%
Utilities	5.0%	6.8%
Housing, such as rent or mortgage	4.7%	2.6%
Other expenses*	4.6%	4.6%
Health care	4.4%	3.4%
Total Pensioners Who Use Credit cards or Loans to Pay for Living Expenses	27.2%	23.1%
<small>*Other expenses exclude loans or debts, education, child-related expenses, funeral expenses, life or homeowner's insurance, and taxes.</small>		

Source: Appendices D and E, Survey of Veteran and Spouse Pensioners, Table 48.1.5.1x

A few pensioners (4% of veterans and 3% of spouses) use credit to make payments on other loans. Twice as many pensioners with children use credit to make loan payments as other respondents.

D. SUMMARY

The results of the survey of veterans and spouses show that pensioners have few resources beyond their VA pension and Social Security income to tap into to cover living expenses and unexpected needs. VA pension recipients have few assets other than their homes or vehicles. Approximately half of the veterans and spouses do not have any assets valued at more than \$1,000, while only about a quarter have some savings. VA pension recipients most often report food, utilities, and housing as their largest living expenses. The primary income sources to pay for the living expenses are VA pension and Social Security. However, a sizeable percentage of respondents have to either cut back on living expenses or do not have the money to pay for some expenses.

Difficulty meeting basic living expenses is further highlighted by the findings that a large percentage of veterans, as well as spouses, have substantial amounts of debt, incur debt to pay for living expenses, and

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have to rely on financial assistance from others, mostly adult children, to help them meet their living expenses. Almost half of the veterans and more than one-third of the spouses have debt primarily from credit cards, unpaid health care expenses, and mortgages. About one-fourth of veterans and one-fifth of spouses report that they use credit cards or loans to pay for their basic living expenses, primarily food and clothing.

Younger pensioners and pensioners with children are worse off than other pensioners. They have fewer assets, more debt, and more of them use credit to pay for living expenses. They are also less likely to have any savings; if they do have savings, they have less than other pensioners. Younger pensioners and pensioners with children are in the weakest financial position.

CHAPTER 6. INCOME

A. WHAT IS THE OVERALL INCOME PROFILE OF VETERANS AND SPOUSE PENSIONERS?

This section presents the annual income, including other means-tested assistance income of veterans and surviving spouses receiving a VA pension. This assessment intends to describe the income levels of recipients of both veterans and spouses and report how much income they receive from all sources.

We focus on three data sources for measuring income: the VA administrative files, the survey of veteran pensioners, and the survey of spouse pensioners. Average annual income and assistance income for specific programs are based on the total number of veterans or surviving spouses participating in the VA Pension program and the total number of veterans or surviving spouses receiving at least one form of assistance income. Average annual income is also reported by age, race, living arrangements, gender, health, and veteran support (for surviving spouses only).

I. Total annual income

Exhibit 6.1 presents annual household income (including a VA pension), noncash assistance income (food stamps, subsidized housing, home heating subsidies), cash assistance income (welfare, Temporary Assistance for Needy Families [TANF], Social Security Income [SSI]) and total income for all recipients, recipients with children,¹ and recent program participants. Veterans with children report the highest household income of the three groups, reporting an annual average household income of about \$15,285. Veterans with children also report the highest average cash and noncash assistance income at \$163 and \$575, respectively.

Recent spouse pensioners—those entering the program since 2000—report an annual household income of more than \$10,000, the highest household income of the three groups. Spouses with children report the highest average assistance income. The income levels for spouses with children are \$483 for cash assistance and \$778 for noncash assistance. Recent participants receive, on average, more income than the overall average and surviving spouses with at least one child.

Exhibit 6.1. Income of VA Pensioners, Including Assistance Income

Income Source	Veterans			Spouses		
	Overall Average	With Child Average	Recent Veteran Average	Overall Average	With Child Average	Recent Spouse Average
Household income	\$12,556	\$14,547	\$13,669	\$7,902	\$9,646	\$10,096
Cash assistance ²	\$143	\$163	\$156	\$296	\$483	\$251
Noncash assistance	\$231	\$575	\$314	\$309	\$778	\$326
Average assistance	\$374	\$738	\$471	\$605	\$1,261	\$577
Total Household and Assistance Program Income	\$12,931	\$15,285	\$14,139	\$8,508	\$10,907	\$10,974
Total Number of Respondents	677	416	420	649	386	416

Source: Survey of Veteran and Spouse Pensioners, and VA Administrative Records

¹ At least one child who also receives VA Pension.

² Cash assistance income is included in household income averages.

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Exhibit 6.2 presents the overall annual total income of veterans and surviving spouses receiving a VA pension, by income source and age, based on data from VA administrative files. Sources include Social Security benefits, VA pension payments, earned income, other retirement income, and other income, but exclude income from need-based or means-tested³ Government assistance programs such as food stamps, Supplemental Security Income (SSI), welfare, and subsidized housing.

The average household income of veterans is \$12,556⁴ per year for 677 survey participants. The median household income is \$11,364 per year. VA pension is the largest source of income, representing approximately 50 percent of annual total income on average. Social Security benefits are the second largest source of income, providing an average of 46.9 percent of total annual household income. Other retirement income, other income, and earned income sources constitute only 3.8 percent of the average annual household income.

Approximately 69 percent of veterans receive Social Security benefits. Other income supplies \$76 per year to 10 percent of veterans. Only 10.4 percent of veteran pensioners receive other retirement income or earned income. Veterans under 65 years old receive significantly more income from VA pension than veterans aged 65 years and older. On average, veterans under 65 years old receive 72.7 percent of their income from VA Pension versus 38.2 percent for those aged 65 years and older. Veterans aged 65 years and older collect the most income from Social Security benefits, receiving 59.1 percent of their income from this source. While 90.3 percent of veterans 65 years and older receive Social Security benefits, only 32.3 percent of veterans under 65 years old collect them.

**Exhibit 6.2. Annual Household Income and Amount of VA Pension
(Excluding Cash and Noncash Federal Need-Based Assistance)**

Income Source	Average* Household Income	Average VA Pension Benefit	Median Household Income	Percentage of Income	Percentage Receiving Income
Veterans—Under 65					
VA Pension	\$8,471	\$8,471	\$9,552	72.7%	100.0%
Social Security benefits***	\$2,806	\$3,972	\$0	24.1%	32.3%
Other retirement income	\$184	\$7,248	\$0	1.6%	3.5%
Earned income	\$177	\$6,504	\$0	1.5%	5.1%
Other income	\$14	\$7,177	\$0	0.1%	4.7%
Average Household Income for Veterans	\$11,649	N/A	\$9,556	100.0%	
Total Number of Veteran Respondents	254	254	254	254	254
Veterans—65 and Over					
VA pension	\$5,031	\$5,031	\$4,068	38.2%	100.0%
Social Security benefits***	\$7,739	\$4,432	\$7,716	59.1%	90.3%

³ Means-tested or need-based Government assistance programs provide assistance to low-income individuals and households on the basis of need. These programs include those that provide cash assistance such as Supplemental Security Income (SSI), Temporary Assistance to Needy Families (TANF), or welfare, and noncash assistance, such as food stamps, housing assistance, home heating assistance, childcare subsidies, and other programs.

⁴ The income for veterans is much higher than the average income of \$7,926 received by Parents' DIC participants. Respondents receiving these benefits are primarily elderly women.

CHAPTER 6. INCOME

Income Source	Average* Household Income	Average VA Pension Benefit	Median Household Income	Percentage of Income	Percentage Receiving Income
Other retirement income	\$459	\$6,252	\$0	3.5%	9.7%
Earned income	\$16	\$4,073	\$0	0.1%	1.7%
Other income	\$72	\$4,663	\$0	0.5%	13.2%
Average Household Income for Veterans	\$13,101	N/A	\$11,796	100.0%	
Total Number of Veteran Respondents	423	423	423	423	423
Veterans—Total					
VA pension	\$6,307	\$6,307	\$5,400	50.2%	100.0%
Social Security benefits***	\$5,888	\$4,351	\$6,684	46.9%	68.5%
Other retirement income	\$356	\$6,431	\$0	2.8%	7.4%
Earned income	\$76	\$5,653	\$0	0.6%	3.0%
Other income	\$50	\$5,107	\$0	0.4%	10.0%
Average Household Income for Veterans	\$12,556	N/A	\$11,364	100.0%	
Total Number of Veteran Respondents	677	677	677	677	677
Spouses—Under 65					
VA pension	\$5,414	\$5,414	\$6,396	79.7%	100.0%
Social Security benefits***	\$1,056	\$2,179	\$0	15.6%	20.9%
Other retirement income	\$215	\$2,681	\$0	3.2%	4.9%
Earned income	\$98	\$4,296	\$0	1.4%	3.8%
Other income	\$7	\$5,850	\$0	0.1%	3.3%
Average Household Income for Spouses	\$6,790	N/A	\$6,396	100.0%	
Total Number of Spouse Respondents	182	182	182	182	182
Spouses—65 and Over					
VA pension	\$2,514	\$2,514	\$1,524	30.2%	100.0%
Social Security benefits***	\$5,469	\$2,180	\$5,496	65.6%	92.3%
Other retirement income	\$278	\$3,476	\$0	3.3%	5.8%
Earned income	\$21	\$1,818	\$0	0.3%	0.4%
Other income	\$60	\$3,535	\$0	0.7%	11.6%
Average Household Income for Spouses	\$8,336	N/A	\$6,401	100.0%	
Total Number of Spouse Respondents	467	467	467	467	467

CHAPTER 6. INCOME

Income Source	Average* Household Income	Average VA Pension Benefit	Median Household Income	Percentage of Income	Percentage Receiving Income
Spouses—Total					
VA pension	\$3,327	\$3,327	\$2,412	42.1%	100.0%
Social Security benefits***	\$4,231	\$2,180	\$4,920	53.5%	72.3%
Other retirement income	\$260	\$3,278	\$0	3.3%	5.5%
Earned income	\$42	\$3,745	\$0	0.5%	1.4%
Other income	\$45	\$3,767	\$0	0.6%	9.2%
Average Household Income for Spouses	\$7,902	N/A	\$6,396	100.0%	
Total Number of Spouse Respondents	649	649	649	649	649
*Averages are based on all parents.					
**Averages are based on those parents receiving income from a specific source.					
***Includes benefits from Social Security Retirement and Social Security Disability Insurance.					
Note: The median value is 0 when those at and under the 50th percentile are 0.					

Source: VA Administrative Records

The average household income of spouse pensioners is \$7,902 per year for 649 survey participants; this amount is very close to the \$7,926 reported by Parents' DIC recipients. The income of both spouses and parents, mostly women, are nearly the same and far lower than that of veterans, mostly men. This is consistent with general patterns of gender differences in income; females typically have lower income than males. The median household income is \$6,396 per year. Social Security benefits are the largest source of income, representing approximately 54 percent of annual total income on average. VA pension payments are the second largest source of income, providing on average 42 percent of total annual household income. Other retirement income, earned income, and other income sources constitute only 4.4 percent of average annual income.

Seventy-two percent of the spouses receive Social Security benefits. Other income supplies \$45 per year to 9.2 percent of spouses. Only 6.9 percent of spouses receive other retirement income or earned income. While most spouses 65 years and over (92.3%) receive their income from Social Security benefits, only 20.9 percent of spouses under 65 years receive income from this source. For those 65 years and over, Social Security benefits make up 65.6 percent of their total income versus 15.6 percent for spouses under 65 years. Spouses under 65 years receive 79.7 percent of their household income from a VA pension. Surviving spouses 65 years and over, however, report only receiving 30.2 percent of their income from a VA pension.

Exhibit 6.2 also shows the amount of pension received, by income source. For example, spouses who receive income from Social Security receive a pension of \$2,180 annually or lower than the average pension amount of \$3,327.

Exhibit 6.3 displays the number of pensioners having either a VA pension only or the VA pension and Social Security benefits as their only source of income. Of the 677 veterans surveyed, 27.9 percent of participants report a VA pension as their only source of income. Additionally, 51.8 percent of veterans report receiving only VA pension and Social Security benefits. Of the 649 surviving spouses surveyed, 24.8 percent of participants report a VA pension as their only source of income. Also, 60.6 percent of

surviving spouses report receiving only a VA pension and Social Security benefits. Both average income levels are lower than the overall average for all surviving spouses. The median household income is reported as \$6,369 for more than 400 surveyed participants, which is the equivalent of the annual VA award of \$533 per month.

Exhibit 6.3 also displays the breakdown of average income for those receiving only Social Security or a VA pension. Veterans receive an average annual Social Security benefit almost twice as large as a VA pension. Veterans receive average annual Social Security benefit of \$8,203, while they receive a VA pension of \$4,134. For surviving spouses, there is a significant difference between the income received from Social Security and a VA pension. Surviving spouses receive average annual Social Security benefit of \$5,699. This is \$3746 more than the annual average VA pension.

Exhibit 6.3. Veterans and Spouse Pensioners Receiving Income from VA Pension and Social Security Only

Income Source	Veterans			Spouses		
	Average Income	Median Income	Percentage of Veterans	Average Income	Median Income	Percentage of Spouses
Receiving a VA pension only	\$10,779	\$9,552	27.9%	\$6,558	\$6,396	24.8%
Receiving VA pension and Social Security benefits only	\$12,337	\$11,676	51.8%	\$7,652	\$6,396	60.6%
Social Security benefits	\$8,203	\$8,160	51.8%	\$5,699	\$5,580	60.6%
VA pension	\$4,134	\$3,828	51.8%	\$1,953	\$1,272	60.6%
Total Household Income	\$12,556	\$11,364	100.0%	\$7,902	\$6,396	100.0%

Source: Survey of Veteran and Spouse Pensioners, and VA Administrative Records

2. Income from other Federal means-tested assistance programs

The study team analyzed the amount of annual means-tested assistance income obtained by veterans and surviving spouses based on data from the survey of veteran and spouse pensioners. Income is reported for both cash assistance and the dollar value of noncash assistance, such as food stamps and housing subsidies. Benefits include subsidized housing and other housing assistance, food stamps, home heating assistance, childcare subsidies, and other assistance programs. Supplemental Security Income, welfare, Temporary Assistance for Needy Families (TANF), general assistance, and any other governmental cash assistance are then included in overall assistance program income.

As seen in Exhibit 6.4, means-tested assistance income totals based on all veterans' and surviving spouses' income indicate that veterans receive an annual average of \$374 in assistance, representing 2.9 percent of total household income. Of the \$374 in assistance income, \$231 comes from noncash assistance income. The highest average noncash assistance is subsidized housing or other housing assistance, representing 0.8 percent of income by providing \$101 a year. Supplemental Security Income supplies the largest cash assistance income of \$141 per year.

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Means-tested assistance income totals based on all surviving spouses' income indicate that surviving spouses receive an annual average of \$605 in assistance, representing 7.1 percent of total household income. Of the \$605 in assistance income, \$309 comes from noncash assistance programs. The highest average noncash assistance income comes from food stamps, representing 1.9 percent of income by providing \$152 a year. Supplemental Security Income supplies the largest cash income of \$279 per year.

Exhibit 6.4. Annual Household Income from Other Federal Means-Tested Assistance Programs: Averages Based on All Pensioners

Income Source	Veterans		Surviving Spouses	
	Average* Dollars	Percentage of Income	Average* Dollars	Percentage of Income
Noncash Assistance Programs				
Subsidized housing or other housing assistance	\$101	0.8%	\$100	1.2%
Food stamps	\$57	0.4%	\$152	1.9%
Childcare subsidies	\$28	0.2%	\$36	0.4%
Home heating assistance	\$30	0.2%	\$11	0.1%
Other assistance programs	\$15	0.1%	\$10	0.1%
Average Assistance Income from Noncash Programs	\$231	1.8%	\$309	3.6%
Cash Assistance Programs				
Supplemental Security Income	\$141	1.1%	\$279	3.3%
Welfare, TANF, general assistance, or any other governmental cash assistance	\$2	0.0%	\$18	0.2%
Average Assistance Income from Cash Programs	\$143	1.1%	\$296	3.5%
Average Cash and Noncash Assistance Income	\$374	2.9%	\$605	7.1%
Total Household Income (Excluding All Assistance Programs)	\$12,556	97.1%	\$7,902	92.9%
Total Household Income (Including All Assistance Income)	\$12,931	100.0%	\$8,508	100.0%
Total Number of Veterans and Surviving Spouses	677	677	649	649

*Averages based on all respondents, not just those receiving need-based assistance.

Source: Survey of Veteran and Spouse Pensioners and VA Administrative Records

Exhibits 6.5 and 6.6 display annual assistance income based on the income of those receiving assistance. The statistical average is calculated only for those who receive assistance and excludes veterans and surviving spouses who do not participate in the assistance program.

Of the 677 veterans receiving a VA pension, 157 (23.2%) are receiving at least one form of assistance. The average assistance amount for those receiving any noncash assistance is \$1,362. The average assistance amount for those receiving cash assistance from at least one source is \$1,980.

Of the assistance program participants, 9.9 percent receive home heating assistance. This noncash assistance program serves the largest amount of veterans receiving either cash or noncash assistance

and provides \$362 per year. Supplemental Security Income provides an average of \$7,351. However, this is for only 2 percent of the pensioners surveyed. Other assistance programs provide the highest amount of noncash assistance; however, this program only serves 0.9 percent of veterans.

Exhibit 6.5. Veterans Annual Household Income from Other Federal Means-Tested Assistance Programs: Averages Based on Veteran Pensioners Receiving Income from At Least One Assistance Program

Income Source	Average Dollars	Median Dollars	Percentage Receiving Income
Noncash Assistance Programs			
Other assistance programs	\$4,078	\$3,204	0.9%
Childcare subsidies	\$3,432	\$2,520	0.4%
Subsidized housing or other housing assistance	\$3,262	\$2,760	6.8%
Food stamps	\$766	\$390	7.4%
Home heating assistance	\$362	\$260	9.9%
Average Assistance Income from Noncash Assistance Programs	\$1,362	\$432	21.1%
Cash Assistance Programs			
Supplemental Security Income	\$7,351 ⁵	\$7,368	2.1%
Welfare, TANF, general assistance, or any other governmental cash assistance	\$648	\$0	0.3%
Average Assistance Income from Cash Assistance Programs	\$6,457	\$7,068	2.4%
Average Assistance Income from Cash and Noncash Assistance Programs	\$1,980	\$526	23.2%
Total Number of Veterans in At Least One Assistance Program	157	157	23.2%
Total Number of Veterans	677	677	100.0%

Source: Survey of Veteran Pensioners

Exhibit 6.6 displays annual income, including assistance income for surviving spouses. Of the 649 surviving spouse pensioners, 309 (47.6%) are receiving at least one form of assistance. Average assistance income for spouses receiving noncash assistance is \$920. Average assistance income for those receiving any cash assistance is \$1,480.

⁵ The maximum SSI amount in 2002 was \$6,540 per year. Some survey respondents may have inflated the SSI amount they received, confused it with Social Security, or received a higher benefit because the State in which they live contributes additional funds to their SSI benefit.

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Exhibit 6.6. Spouses Annual Household Income from Other Federal Means-Tested Assistance Programs: Averages Based on VA Spouse Pensioners Receiving Income from At Least One Assistance Program

Income Source	Average Dollars	Median Dollars	Percentage Receiving Income
Noncash Assistance Programs			
Other assistance programs	\$2,460	\$2,220	0.5%
Subsidized housing or other housing assistance	\$2,406	\$1,824	8.6%
Childcare subsidies	\$2,088	\$1,992	0.5%
Food stamps	\$674	\$558	23.3%
Home heating assistance	\$428	\$245	10.9%
Average Assistance Income from Noncash Assistance Programs	\$920	\$516	33.6%
Cash Assistance Programs			
Supplemental Security Income	\$1,230	\$384	23.9%
Welfare, TANF, general assistance, or any other governmental cash assistance	\$882	\$612	2.2%
Average Assistance Income from Cash Assistance Programs	\$1,226	\$384	25.6%
Average Assistance Income from Cash and Noncash Programs	\$1,374	\$704	47.6%
Total Number of Surviving Spouses in At Least One Assistance Program	309	309	47.6%
Total Number of Surviving Spouses	649	649	100.0%

Source: Survey of Spouse Pensioners

Of the assistance program participants, 23.9 percent receive Supplemental Security Income. This cash assistance program serves the largest amount of surviving spouses receiving cash assistance and provides an average additional income of \$1,582 per year. The Food Stamp Program provides an average of \$674 in benefits to 23.3 percent of the spouse pensioners. Other assistance programs provide the highest amount of noncash assistance; however, these programs only serves 0.5 percent of surviving spouses.

3. Annual income, by demographic characteristic

Exhibits 6.7 and 6.8 present average and median annual total income for veterans and surviving spouses by age, race, gender, support from veteran (for surviving spouses only), type of living arrangement and whether living alone, and health status. These data are compiled from the survey of veteran and spouse pensioners.

As seen in Exhibit 6.7, veterans living in a nursing home, hospital, assisted-living facility, dormitory, or shelter receive the highest income, with an average annual household income of \$24,375. This is for only 25 respondents. Veterans who did not provide their health status have the lowest average annual household income of \$10,763. Some veterans may not be unaware of the additional benefits to which they are entitled by reporting unreimbursed medical expenses (UMEs) to VA.

The most significant difference occurs in income levels between age groups. Veterans younger than 65 years old report the lowest income of the group, with an average annual household income of

\$11,216 and a median income of \$9,552. Veterans over 80 years old report the highest income of \$14,424. White veterans receive on average more than \$1,000 in annual household income than non-White veterans. Non-White veterans include Black or African American, Asian, Native Hawaiian, Pacific Islander, American Indian, Alaska Native, and Other. Veterans not living alone report an average annual household income of \$13,698, more than an additional \$2,000 per year than veterans living alone.

Exhibit 6.7. Annual Average Income of Veteran Pensioners, by Demographic Characteristic

Demographic Characteristics	Average Dollars	Median Dollars	Number
Age			
Less than 65 years old	\$11,216	\$9,552	214
65–79 years old	\$12,207	\$10,758	272
80 and over	\$14,424	\$12,516	144
Race			
White	\$12,910	\$12,181	497
Other	\$11,359	\$9,624	171
Gender			
Male	\$12,479	\$11,676	634
Female	\$12,987	\$9,716	43
Living Arrangement, Facility			
House	\$12,921	\$12,516	355
Apartment, condominium, or townhouse	\$11,267	\$9,552	180
Nursing home, hospital, assisted-living facility, dormitory, or shelter	\$24,375	\$20,651	25
Other	\$12,141	\$10,956	116
Living Alone			
Yes	\$11,189	\$9,552	311
No	\$13,698	\$12,516	351
Health Status			
Very good to excellent	\$12,295	\$11,220	7
Fair to good	\$12,359	\$10,692	302
Very poor to poor	\$12,824	\$12,097	334
N/A	\$10,763	\$9,552	34
Total	\$12,556	\$11,364	677

Source: Survey of Veteran Pensioners and VA Administrative Records

As shown in Exhibit 6.8, the median household income of surviving spouses is \$6,396. This median value does not change by spouse characteristic such as age, race, gender, and health status. This is the annual amount for a \$533 per month VA pension payment.

Surviving spouses under 65 years old report the lowest income, with an average annual income of \$6,604. Surviving spouses living in a nursing home, hospital, assisted-living facility, dormitory, or shelter report the highest income of \$14,461.

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Exhibit 6.8. Annual Average Income of Spouse Pensioners,
by Demographic Characteristic

Demographic Characteristics	Average Dollars	Median Dollars	Number
Age			
Less than 65 years old	\$6,604	\$6,396	155
65–79 years old	\$7,818	\$6,396	258
80 and over	\$8,174	\$6,396	223
Race			
White	\$7,951	\$6,396	439
Other	\$7,098	\$6,396	200
Support From Veteran			
Yes	\$7,937	\$6,396	580
No	\$7,670	\$6,396	66
Gender			
Male	\$8,446	\$6,396	9
Female	\$7,661	\$6,396	640
Living Arrangement, Facility			
House	\$7,734	\$6,396	395
Apartment, condominium, or townhouse	\$7,033	\$6,396	147
Nursing home, hospital, assisted- living facility, dormitory, or shelter	\$14,461	\$8,832	43
Other	\$7,698	\$6,396	64
Living Alone			
Yes	\$7,532	\$6,396	461
No	\$8,097	\$6,396	155
Health Status			
Very good to excellent	\$6,662	\$6,396	7
Fair to good	\$7,585	\$6,396	333
Very poor to poor	\$8,032	\$6,396	240
N/A	\$6,987	\$6,396	69
Total	\$7,902	\$6,396	649

Source: Survey of Spouse Pensioners and VA Administrative Records

Of the 649 survey respondents, 580 receive an income of \$7,937 as support from the veteran when he or she was alive. They receive approximately \$270 more per year in income than surviving spouses who did not receive support from the deceased veteran. There are significantly more female surviving spouses receiving benefits than male surviving spouses. Only 9 of the 649 respondents are men. The 640 female respondents report an annual average income of \$7,661. This is \$785 less than the male average annual income.

Significant differences occur in income levels among races. Non-White, includes Black or African American, Asian, Native Hawaiian, Pacific Islander, American Indian, and Alaska Native, and Other. Non-White surviving spouses obtain approximately \$850 less in income per year than White surviving spouses do, reporting an average annual income of \$7,098 and a median income of \$6,396.

Surviving spouses living alone report a lower average annual income than those not living alone. Surviving spouses living alone receive an average annual income of \$7,532, over \$500 less than the

income for surviving spouses not living alone. Surviving spouses whose health is poor to very poor report the highest income for the ranges in health status, with an average annual income of \$8,032.

B. WHAT ARE THE FACTORS AFFECTING VA BENEFIT AMOUNTS?

An important question for the income support outcome for the VA Pension program is the following: Does the program provide greater income support to those with greater needs? The need-based principle is incorporated into the program through the eligibility criteria and the method of defining income for eligibility and payment. The VA Pension program requires that the income of the veteran and spouse be included in determining eligibility and benefit amount.

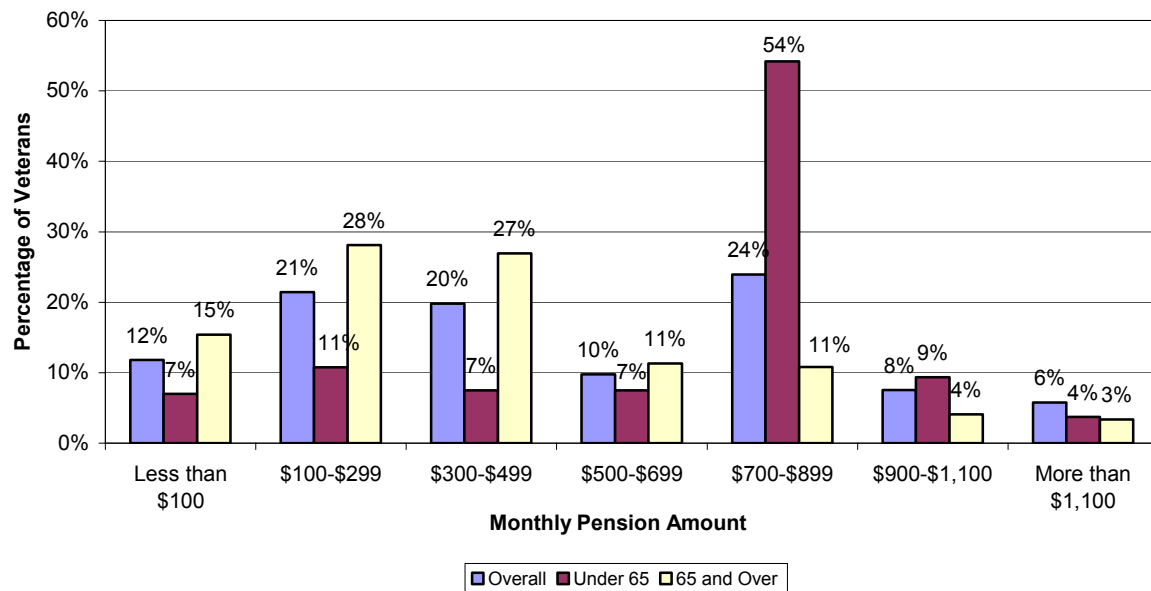
The study team's analysis of the factors affecting VA benefit amounts is presented in four parts: benefit levels of participants, income determination, statistical analysis of pensioner characteristics relating to VA benefit amounts, and impact of possible deductions that are not considered by the program.

I. Benefit amounts

Veteran respondents receive an average monthly benefit of \$526 from the VA Pension program. Veterans who receive between \$700 and \$899 per month compose the largest category of beneficiaries—24 percent (Exhibit 6.9). Approximately 53 percent of veterans receive payments less than \$500, about 34 percent receive payments between \$500 and \$900, and only about 14 percent receive \$900 or more. Fifty-four percent of veterans under 65 years old receive payments between \$700 and \$899. Veterans under 65 years old receive average monthly payment of \$672, compared with \$414 for veterans 65 and older. Despite the larger payments, veterans under 65 years old have lower average total household income, compared with veterans 65 years and older. Fifty-five percent of veterans 65 years and older receive payments between \$100 and \$499.

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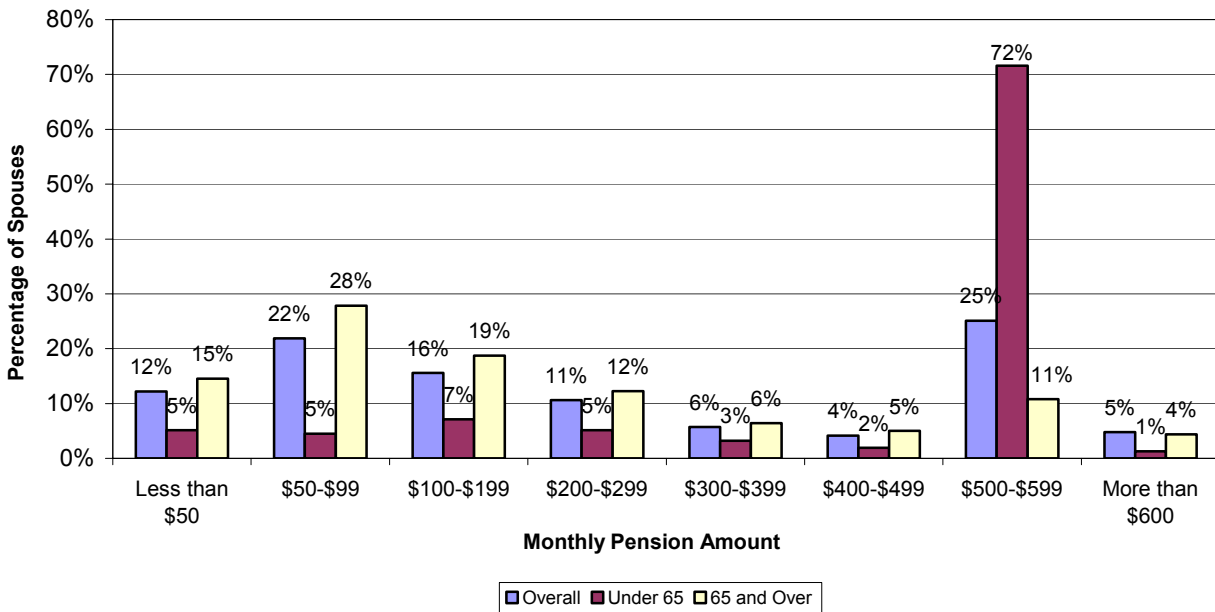
Exhibit 6.9. Veteran Pensioners' Monthly Pension Payments (June 2002)



Source: Survey of Veteran Pensioners, Appendix D

Spouse pensioners receive an average monthly VA pension of \$277. Spouses who receive between \$500 and \$599 compose the largest category of beneficiaries—25 percent (Exhibit 6.10). Approximately 60 percent of surviving spouses receive less than \$300, about 35 percent receive payments between \$300 and \$600, and only about 5 percent receive \$600 or more. Seventy-two percent of surviving spouses under 65 years old receive payments between \$500 and \$599 per month. Spouses under 65 years old receive an average monthly payment of \$439, compared with \$219 for spouses 65 and older. As seen with the veteran population, the household income for this age group is also lower compared to that of the spouses 65 and older. Twenty-eight percent of surviving spouses 65 and older receive payments between \$50 and \$99.

Exhibit 6.10. Spouse Pensioners' Monthly Pension Payments (June 2002)



Source: Survey of Spouse Pensioners, Appendix E

2. Income determination

The level of countable family income (CFI) and the maximum monthly benefit determine the amount of the VA pension. CFI is the household income net of certain exclusions. Other VA benefits, SSI, Medicaid, welfare/TANF, food stamps, U.S. Department of Housing and Urban Development (HUD) housing assistance (Section 8 Housing and Low-Income Public Housing), Federal Pell Grants, and student loans are not included when calculating annual CFI.

In addition to the exclusions from income, applicants are allowed certain deductions when determining annual CFI, such as any UMEs that exceed 5 percent of basic income limits, educational expenses, expenses of last illness and burial, and operating expenses of a business. When determining whether a claimant has UMEs that can be deducted, the copay is only counted on the single rate or the rate with the appropriate number of dependents. Aid and attendance and housebound benefits are not considered in determining UME deductions. For a full list of the exclusions from the annual CFI, see 38 CFR 3.274.

The maximum pension amount depends on the pensioner's number of dependents, whether the pensioner is housebound, and whether the pensioner needs aid and attendance. Exhibit 6.11 summarizes the annual CFI limits above which no benefits are payable.

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**Exhibit 6.11. Annual CFI Limits—Improved Pension Program
(as of December 1, 2002)**

Status	CFI Limit	
	Veterans	Spouses
No dependents	\$9,690	\$6,497
Spouse or one dependent	\$12,692	\$8,507
Housebound—no dependents	\$11,843	\$7,942
Housebound—one dependent	\$14,844	\$9,948
In need of aid and attendance—no dependents	\$16,169	\$10,387
In need of aid and attendance—with one dependent	\$19,167	\$12,393
Increased CFI for each additional dependent	\$1,653	\$1,653

Source: VA Web site

The VA Pension program pays benefits equal to the difference between the beneficiary's actual annual CFI and the CFI limits shown in Exhibit 6.11. The difference is generally paid in 12 equal monthly payments rounded down to the nearest dollar. For example, a veteran (who is not housebound and not in need of aid and assistance) with no dependents and who has an annual CFI of \$5,000 would receive benefits of \$391 per month $((\$9,690 - \$5,000)/12)$.

3. Statistical analysis of veteran/spouse characteristics and benefit amounts

The study team conducted statistical analysis of the characteristics of veterans (and surviving spouses) that affect pension benefit amounts. Characteristics that might relate to benefit amounts include socioeconomic and financial characteristics of the veterans and surviving spouses who receive a pension. Exhibit 6.12 presents the definitions of potential characteristics. All the variables are constructed using the responses from the Survey of Veteran and Spouse Pensioners.⁶

Exhibit 6.12. Definitions of Variables Used in the Analysis

Variables	Definition	Veterans		Spouses	
		Average	Number of Observations	Average	Number of Observations
Target Variable					
Award amount	Monthly VA pension	\$628	1,160	\$333	1,141
Characteristics That Might Affect Award Amount					
Age	Age of the recipient in 2002	64	1,160	68	1,141
Stays at home	= 1 if the veteran or spouse stays at home or in bed most of the time due to disabilities = 0 otherwise	.67	1,160	.49	1,140
Needs help with daily activities	= 1 if the veteran or spouse needs help with daily activities such as bathing, eating, or getting dressed = 0 otherwise	.49	1,156	.38	1,122

⁶ Three samples were drawn for this survey: an overall sample of respondents, a sample of respondents with children, and a sample of respondents who began receiving benefits in 2000 and 2001. This statistical analysis uses observations from all three samples.

Variables	Definition	Veterans		Spouses	
		Average	Number of Observations	Average	Number of Observations
Male	= 1 if the veteran or spouse is male = 0 otherwise	.94	1,160	.33	1,141
White	= 1 if the veteran or spouse is White = 0 otherwise	.71	1,126	.01	1,140
Recent recipient	= 1 if the veteran or spouse began receiving benefits in 2000 or 2001 = 0 otherwise	.22	1,160	.99	1,141
High school education	= 1 if the veteran or spouse has at least a high school degree = 0 otherwise	.63	1,156	.67	1,111
Lives alone	= 1 if the veteran or spouse lives alone = 0 if the veteran or spouse lives with others	.39	1,140	.45	1,134
Homeowner	= 1 if veteran or spouse owns a home = 0 otherwise	.37	1,159	.9	1,136
Has assets	= 1 if the veteran or spouse has at least one asset, other than a home, worth more than \$1,000 = 0 otherwise	.36	1,146	.57	1,098
Has debt	= 1 if the veteran or spouse has debt = 0 otherwise	.56	1,150	.4	1,141
Gives financial support	= 1 financially supports someone else = 0 otherwise	.29	1,158	.24	1,121
Gets financial support	= 1 if veteran or spouse is financially supported by someone else = 0 otherwise	.19	1,156	.44	1,141

Source: Survey of Veteran and Spouse Pensioners and VA Administrative Records

The study team used multivariate analysis to determine which characteristics of recipients explain differences in benefit amounts. Multivariate analysis allows the impact of a given socioeconomic or financial characteristic on VA pension amounts to be isolated from other factors in explaining differences in benefit amounts. The technical appendix that explains the multivariate analysis is in Appendix A.

Exhibit 6.13 presents results from the analysis. Of the 12 characteristics that might affect the Veterans' pension amounts, 3 are statistically significant (at least at the 95% significance level) relative to the benefit amount. Veterans who financially support someone else receive \$118 more in monthly benefits than veterans who do not financially support someone else. These veterans for the most part include all veterans who have at least one child. Veterans who are confined to their homes due to disabilities receive \$55 more in monthly benefits. On the other hand, older veterans receive less in monthly benefits. Whether the veteran is a recent participant in the program is not a significant factor in determining benefit amounts.

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Exhibit 6.13. Significant Factors in Determining VA Benefit Amounts

Significant Characteristics	Impact	Comparison Group
Veterans		
Give financial support	Veteran who financially supports someone else receives \$118 more in monthly pension benefits	Does not financially support someone else
Stay at home	Veteran who stays at home or in bed most of the time due to disabilities receives \$55 more in monthly pension benefits	Not restricted to home or bed due to disabilities
Age	An additional year in the age of the veteran decreases monthly pension benefits by \$12	Not applicable
Surviving Spouses		
Live alone	Spouse who lives alone receives \$47 less in monthly spouse pension benefits	Lives with others
Age	An additional year in the age of the spouse decreases monthly spouse pension benefits by \$5	Not applicable
Give financial support	Spouse who financially supports someone else receives \$50 more in monthly spouse pension benefits	Does not financially support someone else
Stay at home	Spouse who stays at home or in bed most of the time due to disabilities receives \$44 more in monthly spouse pension benefits	Not restricted to home or bed due to disabilities
High school education	Spouse who has at least a high school education receives \$30 more in monthly spouse pension benefits	Does not have a high school education

Source: Survey of Veteran and Spouse Pensioners and VA Administrative Records

Of the 15 characteristics that might affect spouse pensioners' benefit amounts, 5 are statistically significant relative to the benefit amount; details of the multivariate analysis that produced these findings are in Appendix A. Two characteristics are negatively related to the benefit amounts that spouses receive. A spouse who lives alone receives \$47 less in monthly benefits than a spouse who lives with others. An additional year in age decreases the monthly benefit amount that a spouse receives by \$5.

Three characteristics are positively related to the benefit amount. A spouse who financially supports someone else receives \$50 more in monthly benefits (most of these spouses have at least one child). A spouse who is restricted to staying at home or in bed due to disabilities receives \$44 more in monthly benefits. A spouse with at least a high school education receives \$30 more in monthly benefits. Whether the spouse is a recent participant in the program is not a significant factor in determining benefit amounts.

The results presented in Exhibit 6.13 are consistent with how VA determines benefit amounts. To determine the benefit amount, VA subtracts the Income for VA Purposes (IVAP) or countable family income (CFI) from the maximum pension amount, which depends in part on the number of dependents and whether a pensioner is housebound and/or in need of aid and attendance.

The results show that recipients who are most likely to be considered housebound receive higher monthly benefits. Furthermore, those with dependents also receive higher monthly benefits.

4. Deductions that are not reported

The analysis of the VA administrative files and the survey data indicate that some pensioners may not be claiming unreimbursed medical expenses to obtain a larger pension benefit. Among the 677 veteran pensioners, only 204 (30.1%) had claimed a UME, as reflected by VA administrative files as of January to June 2002.⁷ Only 156 pensioners from this group (23%) indicate that they incurred some health care expenses in the past 12 months. However, 62.2 percent of the 156 veteran respondents had no UMEs in the VA administrative file, indicating that they did not report their medical expenses to VA by June 2002.

Among the 649 spouse pensioners, only 185 (28.5%) claimed UMEs to increase their VA pension, according to VA administrative files as of June 2002, while only 173 (26.7%) of these pensioners indicate that they incurred some health care expenses in the past 12 months. However, 71.7 percent of the 173 spouse pensioners had no UMEs in the VA administrative files, indicating that they did not report their medical expenses to VA by June 2002. This means that their medical expenses were not deducted from their total income at that time, although they might be reported and deducted later in the year.

The VA administrative records contain UMEs from January through June 2002; the survey period began in fall 2002 and ended spring 2003. Therefore, it is possible that the UMEs reported on the survey may have been incurred—and claimed—to VA after June 2002 and may include one-time expenses that might be reported in the Eligibility Verification Report (EVR) rather than recurring expenses that might have been reported to VA by June 2002.

Exhibit 6.14 reports health care expenses, household income (excluding pension benefits), monthly award, household income (including pension benefits), percentage of households with income (excluding pension benefits) equal to CFI, and households at or below poverty line⁸ between two groups: Those who reported health care expenses and UMEs, and those who reported health care expenses but did not report UMEs.

Household income (excluding pension benefits) of veterans who did not claim UMEs to VA is on average \$5,230 less than household income (excluding pension benefits) of veterans who reported UMEs. However, the monthly award for veterans who did not report UMEs is on average \$78 higher than for veterans who reported UMEs. Veterans who claim UMEs are not as poor as those who do not claim UMEs and are qualifying on the basis of their UMEs. The UMEs are working to reduce CFI and increase benefits.

⁷ The VA administrative files only track the recurring medical expenses. Since adjustments for medical expenses at the end of the year are done on a one-time basis, expenses could have been reported and considered without appearing in the administrative files.

⁸ The poverty line is based on the Department of Health and Human Services Poverty Guidelines for 2002. For families in the U.S. mainland, the poverty line in 2002 is \$8,860 + \$3,080 for each additional family member. For families in Alaska, the poverty line is \$11,080 + \$3,850 for each additional family member. For families in Hawaii, the poverty line is \$10,020 + \$3,540 for each additional family member.

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Exhibit 6.14. Expenses, UMEs, Household Income and Award Amounts, by Pensioners Who Reported and Did Not Report UMEs*

	Pensioners Who Reported Health Care Expenses in the Survey...			
	... but Did Not Have UMEs in Administrative File		... and Had UMEs in Administrative File	
	Average	Median	Average	Median
Veterans				
Total health care expenses	\$1,368	\$700	\$2,350	\$700
UMEs	N/A	N/A	\$3,388	\$1,650
Household income (excluding VA pension)	\$4,771	\$4,680	\$10,001	\$9,108
Monthly award	\$522	\$422	\$444	\$395
Household income (including VA pension)	\$11,037	\$9,552	\$15,324	\$14,196
Percentage with household income (excluding pension benefits) equal to CFI	99%		3.4%	
Percentage at or below poverty line⁹	18.6%		14%	
Number of veterans	97		59	
Spouses				
Total health care expenses	\$973	\$255	\$2,862	\$1,500
UMEs	N/A	N/A	\$4,144	\$2,091
Household income (excluding VA pension)	\$2,614	\$2,184	\$7,122	\$6,600
Monthly award	\$348	\$473	\$289	\$222
Household income (including VA pension)	\$6,787	\$6,396	\$10,588	\$8,616
Percentage with household income (excluding pension benefits) equal to CFI	97.6%		2%	
Percentage at or below poverty line	95.2%		57.1%	
Number of spouses	124		49	

*This exhibit contains only the respondents who reported health care expenses in the survey.

Annual health care expenses for veterans who did not claim UMEs are on average \$1,368; these veterans receive lower benefits if they do not report UMEs. If the medical expenses reported on the survey are included in the calculation of CFI, then the poverty rate for veterans who did not report medical expenses decreases by approximately 4 percentage points. This decrease reflects the allowable portion of UMEs that can be deducted—medical expenses above 5 percent of the maximum pension benefit amount. For example, veterans (who are not housebound and not in need of aid and assistance) with no dependents are allowed to deduct UMEs greater than $.05 * \$9,690 = \484.50 annually. This

⁹ The poverty line is based on the Department of Health and Human Services Poverty Guidelines for 2002. For families in the U.S. mainland, the poverty line is $\$8,860 + (\text{family size} - 1) * 3,080$. For families in Alaska, the poverty line is $\$11,080 + (\text{family size} - 1) * 3,850$. For families in Hawaii, the poverty line is $\$10,020 + (\text{family size} - 1) * 3,540$. We used survey data to determine household size. It appears that some respondents report larger numbers of dependents on the survey than the VA administrative files contain and it may affect the percentage of veterans below the poverty line in this analysis.

means that on average, veterans are able to decrease their annual CFI and increase their annual VA income by \$883.50 (\$1,368 – \$484.50). Some of the veterans who have medical expenses but do not report UMEs are above the poverty line. Furthermore, results in the next section show that elderly veterans who are below the poverty line are on average \$2,579 below the line. The 4 percent decrease in poverty due to what is essentially a \$883.50 increase in annual household income is consistent with these findings.

Household income (excluding pension benefits) of spouses who do not claim UMEs to VA is on average \$4,508 less than household income (excluding pension benefits) of spouses who claim UMEs. However, the monthly award for spouses who do not claim UMEs is on average only \$59 higher than for spouses who claim UMEs.

The poverty rate of spouses who do not report UMEs is 38 percentage points higher than the poverty rate of spouses who reported UMEs. Spouses who claim UMEs are not as poor as those who do not claim UMEs, but are qualifying on the basis of their UMEs. More specifically, the UMEs are working to reduce CFI and increase benefits.

Annual health care expenses for spouses who do not report UMEs are on average \$973; these spouses receive a lower benefit amount if they do not report UMEs. If the medical expenses reported on the survey are included in the calculation of CFI, then the poverty rate for spouses who do not report medical expenses decreases by approximately 6 percentage points. This decrease reflects the allowable portion of UMEs that can be deducted—medical expenses above 5 percent of the maximum spouse pension benefit amount. For example, surviving spouses (who are not housebound and not in need of aid and assistance) with no dependents are allowed to deduct UMEs greater than $.05 * \$6,497 = \324.90 annually. This means that, on average, spouses would be able to decrease annual CFI and increase annual VA income by \$643.10 (\$973 – \$324.90). Some of the spouses who have medical expenses but do not report UMEs are above the poverty line. Furthermore, results in the next section show that elderly spouses who are below the poverty line are on average \$2,724 below the line. Five percent decrease in poverty due to what is essentially a \$643.10 increase in annual household income is consistent with these facts. Although there is a 38.1 percent difference in the poverty rate between spouses who claim UMEs and those who do not, this difference does not only reflect the impact of claiming UMEs. There are other factors that drive this difference. For example, the spouses who claim UMEs already have higher incomes net of VA payments than spouses who do not claim UMEs.

C. WHAT IS THE BASIC SECURITY OUTCOME?

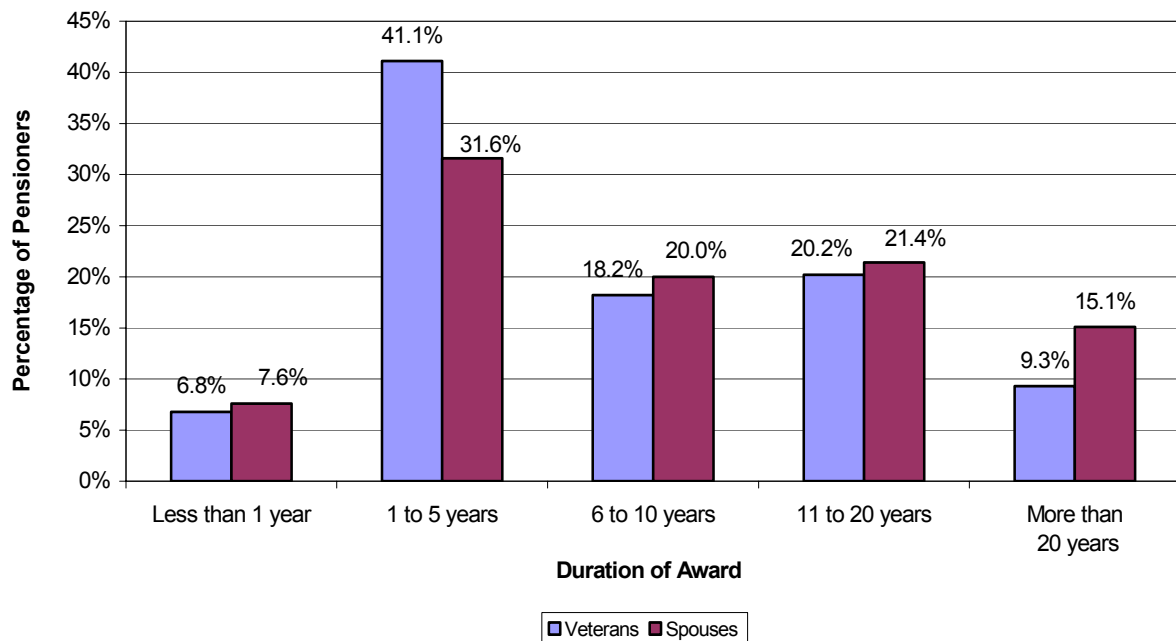
One purpose of this study is to determine whether veterans and surviving spouses can rely on the financial continuity and stability of the VA Pension program. The study team looked at a combination of measures including years of receiving benefits, continuous receipt of benefit, program income levels, and opinions of veterans and surviving spouses involved in the program. The veterans' and surviving spouses' opinions of their financial security are addressed in Chapter 8.

Approximately 41 percent of veterans have been receiving a VA pension for 1 to 5 years (Exhibit 6.15). Of the 677 veterans participating in this survey, 29.5 percent have been receiving a pension for more than 10 years. Thirty-three percent of veterans over age 80 have been in the program for 11 to 20 years. For veterans under age 65 and veterans between 65 and 79 years old, the largest percentage has been in the VA Pension program for 1 to 5 years. Of the 214 veterans under age 65 surveyed, more

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than 51.4 percent have been in the program for 1 to 5 years. Approximately 38 percent of veterans aged 65 to 79 year old have been participating for 1 to 5 years. Longevity in the program increases as age increases.

Exhibit 6.15. Duration of Veteran and Spouse Pension

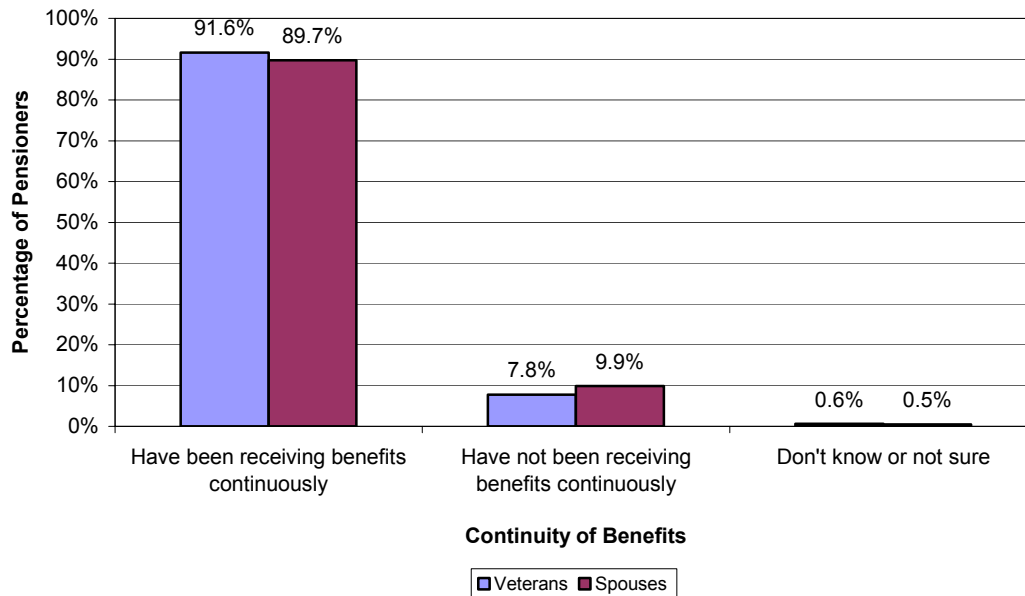


Source: Appendices D and E, Survey of Veteran and Spouse Pensioners, Table 3

More than half (57%) of the 649 spouses surveyed received a VA pension for more than 5 years, and 37 percent received one for more than 10 years. Approximately 32 percent of spouse pensioners have been receiving a VA pension for 1 to 5 years (Exhibit 6.15). Of the 155 spouses under age 65 surveyed, more than 45 percent have been in the program for 1 to 5 years. Approximately 24 percent of 65-to-79-year-old spouses have been participating in the program for 1 to 5 years. Twenty-nine percent of spouses over age 80 have been in the program for 1 to 5 years, while nearly half of spouses over age 80 have been in the program for more than 5 years.

More than 90 percent of the veterans surveyed have received their pension continuously since their enrollment in the program, as Exhibit 6.16 illustrates. Of the 53 veterans who have not been receiving a pension continuously, 33.3 percent had their pension stop and start once over the past 5 years, 3.7 percent experienced an interruption three times, and 3.7 percent experienced an interruption five times.

Exhibit 6.16. Continuous Receipt of Veteran and Spouses Pension



Source: Appendices D and E, Survey of Veteran and Spouse Pensioners, Table 20, and Survey of Spouse Pensioners, Appendix E, Table 20

Almost 90 percent of the surviving spouses surveyed have received their pension continuously since their enrollment in the program, as Exhibit 6.16 illustrates. Of the 64 surviving spouses who have not been receiving a pension continuously, 34 percent had their pension stop and start once over the past 5 years, 3 percent had their pension interrupted twice, and 3 percent experienced an interruption five times.

Changes in benefit amounts received

When considering the impact of the changes in benefit amounts on the finances of 677 VA pensioners who received benefits before 2000, few veterans’ benefit amounts changed outside of the cost-of-living increases. Only 8.2 percent of veterans report an increase in their benefits, while 6.7 percent state that a decrease in benefit levels had occurred.

When considering the impact of the changes in benefit amounts on the finances of 649 spouse pensioners who received benefits before 2000, few surviving spouses’ benefit amounts changed outside of the cost-of-living increases. Only 4 percent of surviving spouses report an increase in their benefits, while 5 percent stated that a decrease in benefit levels had occurred.

D. HOW DOES VA PENSION INTERACT WITH OTHER GOVERNMENT PROGRAMS?

Eligibility requirements of other need-based Government programs and the interaction of these programs with each other vary widely. The population served, income tests used, type of income

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included, type of deductions and expenses allowed, asset limits, and work requirements determine the participants' eligibility and the award amount. We provide a summary of the comparison of a set of need-based or income-tested Federal and State programs with the VA Pension program for eligibility criteria, program interrelationships, and specific administrative and execution purposes.

The set of programs chosen (from a list of 80) is as follows: SSI, Social Security Disability Insurance (SSDI), Medicaid, TANF, food stamps, Low-Rent Public Housing (PH), and Section 8 Housing Choice Vouchers. We examined State-level assistance programs in five States: California (CA), Texas (TX), Florida (FL), Pennsylvania (PA), and Illinois (IL). We selected these States because they have significant veteran populations and are geographically dispersed.

The populations that those programs serve vary greatly. VA pensioners are older than non-VA program benefit recipients. A large percentage of VA pensioners (66.0% of veterans and 75.6% of spouses) are in the 65-and-older age group. Conversely, only 31.1 percent of SSI recipients, 9.8 percent of Medicaid recipients, 10.0 percent of food stamp recipients,¹⁰ 32 percent of PH recipients,¹¹ and 17.0 percent of Section 8 Housing Choice Voucher recipients¹¹ are in the same age bracket (65 and older).

Most beneficiaries of other Federal assistance programs are between 18 and 64 years old: SSI (55.2%), SSDI (81.3%), PH¹² (58%), and Section 8 Housing Choice Vouchers¹² (75%). On the other hand, fewer than half of the recipients of the following programs fall into the 18–64 age group: VA pension (33% of veterans and 24.4% of spouses), Medicaid (27.3%), and the Food Stamp Program¹³ (38.8%).

The complexity of determining eligibility and verifying income and other data is not exclusive to VA programs. It is common in all the non-VA programs we examined.

The VA Pension program compares favorably to non-VA cash benefit programs for maximum benefit amounts the veteran pensioners can receive. The maximum benefit amount of \$807.50 per month (effective December 1, 2002) for a veteran with no dependents is higher than the maximum SSI amount of \$545 per month for a single person. For the spouse pensioners, the maximum amount is almost the same as the Supplemental Security Income maximum amount; \$541 versus \$545 per month, respectively. For the other programs—such as Social Security Disability Insurance and TANF—that provide cash benefits, the comparison of the benefit amounts is complicated. The maximum benefit amount for TANF varies by State, ranging from \$170 to \$923. The benefit amount for Social Security Disability Insurance depends on past earnings and, therefore, varies by person. In 2001, the average Social Security Disability Insurance amount was \$677 per month. In 2000, the maximum food stamp benefit for a family of four was \$426 per month. In 2001, the average food stamp payment to elderly participants was \$58 per month.

In determining eligibility, the income that is counted usually depends on the program intent and focus. For example, in the Food Stamp Program, the incomes of all household members (i.e., individuals living together regardless of their relationships) who prepare meals together are counted, whereas in the HUD programs, the incomes of household members living together (regardless of their relationships) are considered. In VA and Social Security Administration (SSA) programs, even if only one member of a couple is eligible, both incomes are counted. VA counts the income of individuals with legal

¹⁰ Age bracket is "over 59."

¹¹ Age bracket is "over 62."

¹² Age bracket is "25–62."

¹³ Age bracket is "18–59." In 2002, 51 percent of food stamps recipients were children.

relationships—spouses and children—not all individuals living in the home,¹⁴ in determining benefit amounts.

The income limits the Federal Government usually sets also vary by program. Many programs use a percentage of the Federal poverty guideline. In the VA Pension program, as countable income increases, the benefit amount is reduced dollar by dollar. The Food Stamp Program uses 130 percent of the poverty guideline for the limit on gross income and 100 percent of the poverty guideline for the limit on net income. To be eligible, a household without an elderly or disabled member must have a monthly gross income that is at or below 130 percent of the poverty guideline. HUD income limits vary from area to area, so an applicant may be eligible at one Public Housing Agency (PHA) but not at another. HUD sets the low-income limit at 80 percent and the very-low-income limit at 50 percent of the median income for the county or metropolitan area in which the applicant lives. States set TANF and Medicaid income limits. SSI limits are below the poverty guidelines.

Consistent with VA's lower administrative costs, VA's income verification process is less cumbersome and less complex than that of the other programs we examined. VA income verification (which is conducted annually) does require manual entry of the first-time claim information into the system, but subsequent verifications are more automated. VA's process of matching income with IRS and Social Security records requires a wait period of as many as 3 years. The SSI program requires income matching monthly, which may account for the higher administrative costs for this program. Since SSA is one of a few agencies that have the authority to request information from financial institutions, its verification of data on income and assets is likely to be more accurate and timely. SSI calculates the overpayments or underpayments monthly, whereas VA generally makes the adjustments in payments during the verification period (January–March). Other programs have a combination of automated data matching and manual verification processes. The HUD and Food Stamps programs require recertification annually and monthly, respectively, although some State food stamp agencies relaxed the requirement to every 3 months.

Medicaid, TANF, and food stamps determine eligibility jointly. Income verification is conducted with automated database systems through the State wage records. The time for processing an application or verifying information is much shorter than that of VA.

Benefits delivery timeliness varies by program. Recent data show that VA takes 122.4 and 133.7 days to process an original claim for veterans and spouses, respectively, whereas SSI takes 90–120 days for the initial claim. HUD can take 3–5 years, depending on housing availability, but it determines eligibility within 30 days. By law, the Food Stamps Program is required to process applications within 30 days.

VA does not include any benefits received from need-based or income-tested programs in countable family income, but other programs include any payments received from VA in determining eligibility and benefit amount. Receiving benefits from VA reduces the benefits that the pensioners can get from other programs, particularly Supplemental Security Income. Furthermore, receiving benefits from VA reduces the cost to other Federal programs. Although such reductions may not seem beneficial to the pensioners, they can be considered a response to one of the legislative intents—to enable the participant to be independent of welfare income assistance programs.

¹⁴ For instance, if an elderly veteran lives with adult children, VA would not count the income of the adult children because the adult child is not legally responsible for supporting the veteran. Welfare assistance from HUD, HHS, and USDA would count the income of the adult children, as well as the income of everyone living in the household, regardless of legal responsibilities for financial support.

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In contrast, any payment received from Social Security Disability Insurance, workers' compensation, retirement, and annuities are considered countable income in determining eligibility for receiving a VA pension. SSDI benefits are not reduced if an individual receives payments from VA.

Some benefit amounts are reduced according to other assistance people receive. For example, a person applying for Supplemental Security Income who is already receiving Social Security Disability Insurance will find his or her anticipated SSI benefit reduced by the amount of Social Security Disability Insurance he or she is receiving. On the other hand, when someone who is already receiving Medicaid applies for Supplemental Security Income, the amount of the benefit received from Medicaid does not affect the anticipated Supplemental Security Income benefit.

The following list is a summary of the main interrelationships between the selected means-tested programs:

- ◆ People receiving Supplemental Security Income benefits are usually (depending on the State) automatically eligible to receive Medicaid and food stamps benefits.
- ◆ In the Food Stamp Program, a household is exempt from tests of income and assets if all of its members receive SSI or cash or in-kind TANF benefits.
- ◆ A food stamps recipient who also receives TANF must meet the TANF work requirements.
- ◆ States may end Medicaid for adults who refuse to comply with TANF work requirements (but must continue Medicaid for the children).
- ◆ Anyone Supplemental Security Income labels as disabled is automatically considered disabled for HUD purposes.

Supplemental Security Income law requires that Supplemental Security Income applicants first apply for other benefits to which they may be entitled (such as annuities, pensions, retirement or disability benefits, workers' compensation, and unemployment insurance benefits) before trying to file for Supplemental Security Income. Social Security Administration must provide written notice to applicants of their potential eligibility for other benefits and of the requirement to take all appropriate steps to pursue those benefits. Applicants have 30 days from receipt of the notice to file for the benefits. SSA wants Supplemental Security Income to be the benefit of last resort.

Usually, SSI recipients are automatically eligible for Medicaid. A State may use either Supplemental Security Income eligibility criteria or its own criteria to determine Medicaid eligibility, as long as the criteria are no more restrictive than the State's January 1972 Medical Assistance Standards. Forty States use SSI's criteria and 11 States use their own criteria.

States also may enter into agreements with SSA for SSA to make Medicaid eligibility determinations on their behalf, as long as the eligibility requirements of the State's Medicaid plans are the same as those of the SSI program. Under such agreements, SSA determines only when an individual is eligible for Medicaid; SSA does not determine ineligibility for Medicaid. SSA has Medicaid determination agreements with 33 States.

Continued Medicaid eligibility is provided in Supplemental Security Income law for certain Social Security beneficiaries who lose Supplemental Security Income eligibility because they are entitled to Social Security benefits or because of an increase in their Social Security benefits resulting from—

- ◆ Cost-of-living adjustments
- ◆ Actuarial increases in widow(er)s benefits
- ◆ Changes in the definition of disability for widow(er)s benefits
- ◆ Increases in disabled adult/child benefits.

Supplemental Security Income recipients in all States except California may be eligible for food stamps. Under agreements between the Secretary of Agriculture and SSA, Social Security offices notify Social Security applicants and Supplemental Security Income applicants and recipients of their potential benefits under the Food Stamp Program and make food stamps applications available to them.

The law also allows Social Security offices to take food stamps applications from potentially eligible or eligible Supplemental Security Income households that are not already receiving food stamps and do not have any food stamps application pending. Food Stamp applications from Supplemental Security Income households may be taken in connection with initial Supplemental Security Income claims or at the time of a redetermination. Food Stamp applicants have the option of applying at Social Security offices or applying at State food stamps offices if expedited service is required. Social Security offices forward the food stamps applications and any supporting documents to the local food stamps offices within 1 day of taking the application. The food stamps office determines eligibility.

The Food Stamp Program is intertwined with the TANF and Supplemental Security Income programs in three ways: administratively with TANF, most TANF and Supplemental Security Income recipients are automatically eligible for food stamps, and the food stamps recipient population is made up largely of TANF and Supplemental Security Income participants. State and local offices administering TANF are the same offices that enroll people for food stamps and issue food stamps benefits. Joint application and interview procedures are common and information is usually shared. Food stamp rules generally make households in which all members are TANF or Supplemental Security Income recipients eligible for food stamps. However, food stamps rules often qualify a household for food stamps even after the loss of TANF or SSI benefits.

For most people participating in the Food Stamp Program, food stamps aid represents a second or third form of governmental assistance. For example, as shown in Exhibit 6.17, TANF contributes to the income of 35 percent of food stamps households. TANF is the only cash income of a large majority of the households. SSI benefits also go to about 30.1 percent of households receiving food stamps.

Although not shown in Exhibit 6.17, according to the *Characteristics of Food Stamp Households: Fiscal Year 2000*, only 1.4 percent of food stamps households received VA benefits. Furthermore, the HUD program administrators who were contacted for this study said that only 1.1 percent of public housing recipients received VA Pension or DIC benefits. Exhibit 6.5 contains the percentages of survey respondents who say they received food stamps, housing assistance and other government aid.

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Exhibit 6.17. Program Overlaps: Food Stamps, Medicaid, Public Housing, and Veterans Administration, 1997–1998

Benefit Received	Percentage of Households/Individuals in Certain Programs			
	Food Stamps	Medicaid	Public Housing	VA Pension or DIC
TANF	35.0%	22.5%	21.6%	1.4%
SSI	30.1%	34.8%	24.9%	5.7%

Source: Green Book 2000, Section 15: Other Programs, U.S. House of Representatives, Committee on Ways and Means (Committee Print, WMCP: 106–114)

Exhibit 6.18 shows that from 1997 to 1998, 81 percent of TANF recipients received food stamps benefits, 97.3 percent received Medicaid coverage, 32.2 percent were in public housing, and 1.1 percent received VA DIC or pension benefits. The exhibit also shows similar participation rates for the SSI program, with the exception of food stamp benefits. Only 43.7 percent of SSI recipients received food stamp benefits; 95 percent received Medicaid coverage, 23.4 percent were in public housing, and 2.8 percent received VA DIC or pension benefits.

Exhibit 6.18. Program Overlaps: TANF and SSI, 1997–1998

Benefit Received	Percentage of Households/Individuals in	
	TANF	SSI
Food Stamps	81.0%	43.7%
Medicaid	97.3%	95.0%
Public Housing	32.2%	23.4%
VA Pension or DIC	1.1%	2.8%

Source: Green Book 2000, Section 15: Other Programs, U.S. House of Representatives, Committee on Ways and Means (Committee Print, WMCP: 106–114)

Given their income levels, many pensioners would qualify for other Federal need-based assistance, although the legislative intent for this program is to provide benefits so that pensioners do not have to turn to welfare. Exhibit 6.19 simulates the effect of adding other Federal benefits to the income of veterans and surviving spouses who receive pension benefits. It also reports the poverty rate for four different calculations of household income.¹⁵ The first calculation uses household income from VA administrative files. The second adds the average amount of welfare assistance that respondents reported in the survey to the household income from VA administrative files for those who reported no welfare assistance. The third adds the average amount of Supplemental Security Income that respondents reported in the survey to the household income from VA administrative files. This is done only for those who reported no SSI. The fourth adds both the average amount of welfare assistance and

¹⁵ The amount of assistance from Federal programs such as SSI affects the amount of a VA pension. The maximum possible effect of adding Federal benefits to the income of veterans is explored. For example, the poverty rate for veterans would be 1.8 percent if household income includes the maximum possible SSI benefit amount.

SSI that respondents reported in the survey to the household income from VA administrative files. This is done only for those who reported no welfare assistance and SSI.

Exhibit 6.19 shows that the poverty rate would decrease from 15.1 percent to approximately 3.5 percent if veterans who do not receive welfare assistance obtained these benefits, and from 83 percent to approximately 78 percent if spouses who do not receive welfare assistance obtained these benefits. If veterans who do not receive SSI obtained average SSI benefits, the poverty rate would decrease from 15.1 percent to approximately 1.8 percent. If spouses who do not receive SSI obtained average SSI benefits, the poverty rate would decrease from 83 percent to approximately 76 percent. If veterans obtained both welfare/TANF assistance and SSI, the poverty rate would decrease from 83 percent to approximately 0.9 percent. If spouses obtained both welfare/TANF assistance and SSI, the poverty rate would decrease from 83 percent to approximately 74 percent. If veterans and spouses obtain welfare benefits, poverty rates would decline significantly. However, this is contrary to the intent of the program.

This establishes that outreach programs to encourage eligible veterans and spouses who do not have certain welfare benefits to obtain these benefits will improve their income standing and raise their income above poverty line. However, requiring pensioners to obtain assistance from welfare is contrary to the Pension program’s legislative intent, which is to provide an income so that pensioners do not have to turn to welfare.

Exhibit 6.19. Poverty Rates of Veteran and Spouse Pensioners, with Welfare Assistance Included in Household Income

Income	Percentage of Veterans at or Below Poverty Rate	Percentage of Spouses at or Below Poverty Rate
Household income in VA administrative records	15.1%	83%
Household Income in VA administrative records plus welfare/TANF/other cash assistance	3.5%	78%
Household income in VA administrative records plus SSI	1.8%	76%
Household income in VA administrative records plus welfare/TANF/other cash assistance and SSI	0.9%	74%

E. HOW DOES VA PENSION COMPARE WITH THE MEANS-TESTED ELDERLY POPULATION?

The study team compared the income of veterans and surviving spouses who receive pension benefits with the income of the elderly general population who receive support from one or more need-based assistance (i.e., means-tested) programs.¹⁶ Comparisons are based on different dimensions, such as the poverty rate, depth of poverty, and average income. Income measures for the general population are

¹⁶ Those in the general population who receive SSI, welfare/TANF assistance, food stamps, or housing subsidies are designated as receiving support from means-tested (i.e., need-based) assistance programs.

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constructed using data from the March 2002 Current Population Survey (CPS). Income measures for veterans and surviving spouses who receive pension benefits are constructed from VA administrative records.

Our definition of elderly includes those who are at least 65 years of age. Anyone in the general population who receives SSI, welfare/TANF assistance, food stamps, or housing subsidies is designated as receiving support from need-based assistance programs. The study team describes the comparison group as “elderly means-tested general population.”

The demographic composition of the elderly means-tested general population in the CPS and the survey respondents are different. Exhibit 6.20 establishes that the proportion of male veterans 65 or older who receive pension benefits is much greater than the proportion of males in the elderly general population. The same exhibit also establishes that the proportion of female spouses 65 or older who receive pension benefits is significantly greater than the proportion of females in the elderly general population. Also, the proportion of spouses with at least a high school diploma who receive a spouse pension is lower than the corresponding proportion of elderly means-tested general population. The differences in demographic characteristics between the populations may explain the differences in income. In particular, the general population has a smaller proportion of people whose characteristics are generally associated with higher incomes. To partially control for these differences, the study team compared the income standing of the *male*, elderly means-tested population who receive assistance with that of veteran pensioners, since they are predominantly male. Similarly, we compared the income standing of the *female*, elderly means-tested population who receive assistance with that of spouse pensioners, since they are predominantly female.

Exhibit 6.20. Demographic Characteristics of the Means-Tested Elderly General Population and of Elderly VA Pension Program Participants

Demographic Characteristics	Elderly General Population Receiving Need-Based Assistance	Elderly VA Pensioners
Veterans		
Male	25%	92%
White	72%	76%
High school	41%	44%
Spouses		
Female	75%	99%
White	72%	70%
High school	41%	35%

Source: Survey of Veteran and Spouse Pensioners, and March 2002 CPS

Exhibits 6.21 through 6.23 report poverty rates, average incomes, and indicators on the depth of poverty for the elderly means-tested population, the elderly male/female general population, and veterans/surviving spouse pensioners, for the 65–79 and the 80-and-over age groups.

Exhibit 6.21 shows the poverty rate is lower for veterans who receive pension benefits than for the elderly general and elderly male population in either age group (54% in the 65–79 age group for the

elderly population compared with 13% for veteran pensioners). In contrast, the poverty rate is much higher for spouse pensioners than for the elderly general and elderly female population in either age group (e.g., 54% in the 65–79 age group for the elderly population compared to 80% for the spouse pensioners).

Exhibit 6.21. Poverty Rates for Elderly Means-Tested and Elderly Male/Female General Populations and Veterans/Spouses Who Receive a VA Pension

Age	Percentage of Elderly General Population Receiving Need-Based Assistance Below Poverty Line ¹⁷	Percentage of Elderly General Population Receiving Need-Based Assistance Below Poverty Line		Percentage of VA Pensioners Below Poverty Line	
		Male	Female	Veterans	Spouses
65–79	53.6%	53.8%	53.6%	12.5%	79.8%
80 and over	45.5%	43.3%	46.0%	13.3%	76.7%
Total: 65 and Over	51.0%	51.4%	50.9%	12.8%	78.7%

Source: Survey of Veteran and Spouse Pensioners, and March 2002 CPS

Exhibit 6.22 compares the average annual family income of pensioners with that of the elderly general population receiving need-based assistance. Average annual income is higher for veterans at or below the poverty line who receive pension benefits compared with the elderly general and male populations at or above the poverty line for both age groups. On the other hand, average annual income is lower for veterans above the poverty line who receive pension benefits compared with the elderly general and male populations above the poverty line for both age groups. The average annual income for veteran pensioners above the poverty line is approximately \$4,000 to \$5,000 above the poverty line (assuming they are single).

Average annual income is lower for spouses who receive pension benefits compared with the elderly general and female populations for both age groups and for spouses below and above the poverty line. The difference in annual income between spouse pensioners and the elderly means-tested populations is more pronounced for those above the poverty line than for those at or below the poverty line. The annual income for spouse pensioners above the poverty line is approximately \$4,000 above the poverty line (assuming they are single).

The differences in the depth of poverty (measured by how far below the poverty line the poor are in percentages and levels) between the elderly means-tested veterans who receive pension benefits and the other two groups in Exhibit 6.23 are about 3 to 4 percent less for the 65–79 age range and 2 to 4 percent less for the 80-and-over age range. The average income amount at or below the poverty line is between \$549 and \$463 more for veteran pensioners than for both groups of the means-tested population in the 65–79 age range and between \$928 and \$469 more for veterans than for both groups of the comparison population in the 80-and-over age range.

¹⁷ Poverty lines are based on poverty guidelines issued in *Federal Register*, Vol. 67, No. 31, February 14, 2002, pp. 6931–6933.

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The differences in the depth of poverty (measured by how far below the poverty line the poor are in percentages and levels) between the elderly means-tested spouse pensioners and the other two groups in Exhibit 6.24 are about 3 to 5 percent for both age groups. The average income amount at or below the poverty line is actually \$700 more for spouse pensioners than for the means-tested population in the 65–79 age range and is \$608 more for spouse pensioners than for the comparison population in the 80-and-over age group. The differences in the amounts below the poverty line between the spouses who receive pension benefits and the elderly female comparison population are \$732 and \$519 for the 65–79 and the 80-and-over age groups, respectively.

Exhibit 6.22. Average Annual Income for Elderly Means-Tested and Elderly Male/Female General Populations and Veterans/Spouses Who Receive a VA Pension

Age and Poverty Status	Average Annual Family Income of Elderly General Population Receiving Need-Based Assistance	Average Annual Family Income of Elderly General Population Receiving Need-Based Assistance		Average Annual Income of VA Pensioners	
		Male	Female	Veterans	Spouses
Age 65–79					
At or below poverty line	\$6,728	\$6,636	\$6,761	\$9,887	\$6,755
Above the poverty line	\$14,387	\$14,355	\$14,413	\$12,625	\$12,898
All	\$10,286	\$10,205	\$10,316	\$12,283	\$7,993
Age 80 and over					
At or below poverty line	\$6,896	\$7,334	\$6,780	\$10,604	\$6,826
Above the poverty line	\$14,431	\$18,587	\$13,546	\$15,069	\$14,232
All	\$10,987	\$13,711	\$10,434	\$14,476	\$8,553

Source: Survey of Veteran and Spouse Pensioners, and March 2002 CPS

Exhibit 6.23. Depth of Poverty for Elderly Means-Tested and Elderly Male/Female General Populations and VA Pension

Age	Elderly Means-Tested Population Receiving Need-Based Assistance at or Below Poverty				Pensioners at or Below Poverty	
	Average Percentage	Average Amount	Average Percentage	Average Amount	Average Percentage	Average Amount
	Overall		Male		Veterans	
65–79	24.1%	\$2,138	25.1%	\$2,224	21%	\$2,687
80 and over	22.6%	\$2,002	17.4%	\$1,543	19%	\$2,471
	Overall		Female		Spouses	
65–79	24.1%	\$2,138	23.7%	\$2,106	29%	\$2,838
80 and over	22.6%	\$2,002	23.6%	\$2,091	27%	\$2,610

Source: Survey of Veteran and Spouse Pensioners, and March 2002 CPS

These results suggest that there is a higher incidence of poverty in the elderly general and male populations who receive need-based assistance than for veterans who receive a VA pension. The income of the poorest segment of these populations (i.e., those at or below the poverty line) is higher for veterans who receive pension benefits than for the elderly general and male populations, and the depth of poverty measured in percentage terms is less than that of the elderly general population. The depth of poverty measured in dollar terms is greater for veterans than for the elderly general populations.¹⁸ The income of non-poor veterans (i.e., those above the poverty line) who receive a VA pension is lower than that of the elderly general and male populations; they are on average just above the poverty line.

There is a higher incidence of poverty among spouse pensioners than among the elderly general and female populations who receive need-based assistance. The income of the poorest segment of these populations (i.e., those at or below the poverty line) is lower for spouses who receive a VA pension than for the elderly general population and the elderly female population. The income of non-poor spouses (i.e., those above the poverty line) who receive VA Pension benefits is lower than that of the elderly general population and female populations, except for the elderly female population in the 80-and-over group; they are on average just above the poverty line. The depth of poverty is greater for spouses than for the elderly general and female populations.

Exhibit 6.24 reports the percentage of the populations receiving Social Security benefits, earned income, and other retirement income. The proportion of the population receiving Social Security benefits is higher for veterans who receive pension benefits than for the elderly means-tested male population, but it is lower for spouse pensioners than for the elderly means-tested female population. The proportion of the population receiving earned income and other retirement income is higher for the elderly means-tested male and female populations than for veterans and spouses who receive pension benefits in the 65–79 age group. Members of the elderly general and male and female population generally receive income from more sources than veteran and spouse pensioners.

¹⁸ This is primarily due to the fact that veterans in the sample have larger households than the sample of the comparison population. Therefore, although the average income of veterans at or below the poverty line is higher than that of the comparison population, the poverty threshold is also higher.

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Exhibit 6.24. Sources of Income for the Elderly Means-Tested and Elderly Male/Female General Populations and Veterans/Spouses Who Receive a VA Pension

Age	Income Source	Percentage Receiving Income				
		Elderly Means-Tested General Population Receiving Need-Based Assistance			Veterans	Spouses
		Overall	Male	Female		
65–79	Social Security benefits	88.3%	84.9%	89.6%	87.5%	88.8%
	Earned income	7.6%	5.9%	8.3%	0.7%	0.0%
	Other retirement income	11.7%	10.9%	12.1%	7.4%	4.3%
80 and over	Social Security benefits	89.9%	86.6%	90.6%	98.6%	90.1%
	Earned income	0.5%	0.0%	0.5%	2.1%	0.0%
	Other retirement income	12.8%	23.4%	10.7%	14.0%	7.2%

Source: Survey of Veteran and Spouse Pensioners, and March 2002 CPS

Veterans and spouses who receive pension benefits participate much less in need-based assistance programs that could improve their economic well-being. Exhibit 6.25 reports that less than 1 percent of veterans receive welfare assistance and 5 to 6 percent receive housing assistance, whereas only 2 percent of spouses receive welfare assistance and 6 to 9 percent receive housing assistance. In addition, less than 9 percent of veterans and 26 percent of spouses receive food stamps. The elderly means-tested population participates at higher percentage rates in SSI, subsidized housing, and the Food Stamp Program.

Exhibit 6.25. Sources of Need-Based Assistance for the Elderly Means-Tested and Elderly Male/Female General Populations and Veterans/Spouses Who Receive a VA Pension

Age	Need-Based Assistance Source	Percentage Receiving Need-Based Assistance				
		Elderly Means-Tested General Population Receiving Need-Based Assistance			Veterans	Spouses
		Overall	Male	Female		
65–79	Welfare, TANF, general assistance, or any other governmental cash assistance	2.24%	2.1%	2.2%	0.7%	1.9%
	Supplemental Security Income	39.5%	41.3%	38.8%	2.9%	27.5%
	Food stamps	37.5%	35.8%	38.1%	8.5%	25.2%
	Subsidized housing or other housing assistance	65.2%	63.2%	65.9%	6.3%	9.3%
80 and over	Welfare, TANF, general assistance, or any other governmental cash assistance	1.3%	0.0%	1.5%	0.0%	2.2%
	Supplemental Security Income	28.6%	26.1%	29.1%	1.4%	29.6%
	Food stamps	22.3%	22.5%	22.2%	4.9%	18.4%
	Subsidized housing or other housing assistance	73.2%	77.8%	72.3%	4.9%	6.3%

Source: Survey of Veteran and Spouse Pensioners, and March 2002 CPS

F. WHAT IS THE EFFECT OF COUNTING NEED-BASED ASSISTANCE AND THE RENTAL VALUE OF HOME OWNERSHIP?

Benefits that are not paid in cash but have a cash value, such as subsidized housing and food stamps, are not included in VA's household income calculations. Furthermore, the recipients who are living in a home they own and who do not have mortgage payments have smaller expenditures than those who do not have mortgage payments or those who do not own their home.

The incidence of poverty is compared for VA pensioners across three different calculations of household income. The first uses household income from VA administrative files (this calculation of income is used in Exhibits 6.21 through 6.25). The second adds the amount of need-based assistance reported in the survey to the household income from VA administrative files. Need-based assistance is limited to food stamps, housing assistance, home heating subsidies, and childcare subsidies. The third simulates the effect of adding need-based assistance plus housing savings for those who have paid off their homes. This is performed to simulate the effect of counting need-based assistance and the rental value of homeownership in the VA pension benefit determination. That is, it adds need-based assistance plus the equivalent of the rental value of the property (for pensioners who own a home and do not have mortgage payments) and excludes property taxes (also for pensioners who own a home and do not have a mortgage expense) to household income from VA administrative files. Adding the rental value makes homeowners without mortgages more equitable with renters, since homeowners have more disposable income than renters; excluding the property taxes is necessary to complete the equation for homeowners relative to renters. The rental value and the property taxes are estimated from data on the Consumer Expenditure Survey (CES).¹⁹

Exhibits 6.26 to 6.28 report poverty rates, average incomes, and indicators on the depth of poverty for pensioners, when need-based assistance and rental income are included in household income.

Exhibits 6.26 shows how counting additional resources affects pensioners' poverty level. For veterans, poverty rates are only less than 1 percent lower for the 65–79 and the 80-and-over age groups, respectively, when need-based assistance is included in household income. Similarly, when estimated rental value is included in household income, the poverty rates fall by less than 1 percent for both age categories.

For spouses, poverty rates are 2 percent and 0.3 percent lower for the 65–79 and the 80-and-over age groups, respectively, when need-based assistance is included in household income. When estimated rental value is included in household income, the poverty rates fall by 5 and 4 percent, respectively.

¹⁹ CES program conducted by Bureau of Labor Statistics consists of two surveys—the Quarterly Interview Survey and the Diary Survey—that provide information on the buying habits of American consumers, including data on their expenditures, income, and consumer unit (families and single consumers) characteristics. The Interview Survey includes monthly out-of-pocket expenditures such as housing, apparel, transportation, health care, insurance, and entertainment. The Diary Survey includes weekly expenditures of frequently purchased items such as food and beverages, tobacco, personal care products, and nonprescription drugs and supplies.

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Exhibit 6.26. Poverty Rates for VA Pensioners When Household Income Includes Need-Based Benefits Assistance and Rental Expenses

Age	Percentage of VA Pensioners Below the Poverty Line	
	Income Based on Household Income plus Need-Based Assistance	Income Based on Household Income plus Need-Based Assistance and Estimated Rental Expenses
Veterans		
65–79	12.3%	11.9%
80 and over	12.5%	12.5%
Total: 65 and Over	12.4%	12.1%
Spouses		
65–79	77.9%	75.3%
80 and over	76.4%	72.6%
Total: 65 and Over	76.9%	74.9%

Source: Survey of Veteran and Spouse Pensioners

Exhibit 6.27 presents the results of counting additional resources or average annual income. The average income of veterans who are at or below the poverty line increases by approximately \$117 and \$185 for the 65–79 and the 80-and-over age groups, respectively, when need-based assistance is included. The average income of veterans who are above the poverty line increases by approximately \$193 and \$183 for the 65–79 and the 80-and-over age groups, respectively, when need-based assistance is included.

When need-based assistance is included, the average income of spouses at or below the poverty line increases by approximately \$338 and \$126 for the 65–79 and the 80-and-over age groups, respectively. (Note that the average income for spouses above the poverty line in both age groups actually decreases when need-based assistance is included in household income. This is because the set of spouses above the poverty line now includes spouses who are below the poverty line when household income does not include need-based assistance.)

The average income of veterans at or below the poverty line increases by approximately \$309 and \$96 for the 65–79 and the 80-and-over age groups, respectively, when need-based assistance and estimated rental value are included in household income. The average income of veterans who are above the poverty line increases by approximately \$452 and \$456 for the 65–79 and the 80-and-over age groups, respectively, when need-based assistance and estimated rental value are included in household income.

When benefits and estimated rental value are included in household income, the average income of spouses at or below the poverty line increases by approximately \$676 and \$304 for the 65–79 and the 80-and-over age groups, respectively.

Exhibit 6.27. Annual Income for VA Pensioners When Household Income Includes Need-Based Assistance and Rental Expenses

Age and Poverty Status	Average Annual Income of VA Pensioners	
	Income Based on Household Income and Need-Based Assistance	Income Based on Household Income, Need-Based Assistance, and Estimated Rental Expenses
Veterans		
65–79		
At or below the poverty line	\$10,004	\$10,196
Above the poverty line	\$12,818	\$13,077
All	\$12,476	\$12,727
80 and over		
At or below the poverty line	\$10,419	\$10,700
Above the poverty line	\$15,252	\$15,525
All	\$14,644	\$14,918
Spouses		
65–79		
At or below the poverty line	\$6,993	\$7,231
Above the poverty line	\$12,835	\$12,918
All	\$8,284	\$8,575
80 and over		
At or below the poverty line	\$6,952	\$7,171
Above the poverty line	\$14,086	\$13,838
All	\$8,711	\$8,995

Source: Survey of Veteran and Spouse Pensioners

Exhibit 6.28 presents the results of counting additional resources in depth of poverty. The depth of poverty (measured by how far below the poverty line the poor are in percentages and levels) for veterans does not change when benefits are included in household income. When estimated rental value is included in household income, the percentage of veterans below the poverty line decreases from 21 to 19 percent for the 65–79 age group and from 19 to 17 percent for the 80-and-over age group.

For spouses, the depth of poverty decreases when benefits are included in household income, from 29 to 26 percent for the 65–79 age group and from 27 to 25 percent for the 80-and-over age group. When foregone rental expenses excluding property taxes (for respondents who own a home and do not have mortgage payments) are included in household income, the percentage of spouses below the poverty line decreases from 29 to 23 percent for the 65–79 age group and from 27 to 23 percent for the 80-and-over age group.

CHAPTER 6. INCOME

Exhibit 6.28. Depth of Poverty for VA Pensioners When Household Income Includes Need-Based Assistance and Rental Expenses

Age	VA Pensioners at or Below the Poverty Line			
	Income Based on Household Income and Need-Based Assistance		Income Based on Household Income, Need-Based Assistance, and Estimated Rental Expenses	
	Average Percentage at or Below the Poverty Line	Average Amount at or Below the Poverty Line	Average Percentage at or Below the Poverty Line	Average Amount at or Below the Poverty Line
Veterans				
65–79	21%	\$2,682	19%	\$2,491
80 and over	19%	\$2,547	17%	\$2,266
Spouses				
65–79	26%	\$2,617	23%	\$2,380
80 and over	25%	\$2,494	23%	\$2,297

Source: Survey of Veteran and Spouse Pensioners

G. SUMMARY

The average total income (excluding noncash benefits) for veterans is \$12,556, compared with only \$7,902 for surviving spouses. Veterans, on average, receive higher benefit amounts than surviving spouses do from all income sources, including need-based assistance income. The primary source of income for veterans and surviving spouses under 65 years old is VA pension. For veterans and surviving spouses 65 years and older, the primary source of income is Social Security benefits. Approximately 48 percent of surviving spouses receive assistance from at least one Federal need-based program (cash or noncash), compared to only 23.2 percent for veterans.

Thirteen percent of the elderly (65 and older) veteran pensioners and 79 percent of elderly (65 and older) spouses are below the poverty line. Need-based assistance from other programs, such as food stamps, housing assistance, and rental value of homes decreases this figure by less than 1 percent for veterans and about 4 percent for spouses. The rental value of homes owned by spouses decreases their poverty level to 75 percent.

When comparing the veteran pensioners with the general elderly means-tested population who receive assistance from Federal programs, the picture is mixed. There are fewer veteran pensioners living at or below the poverty line; the average income of veteran pensioners who are at or below the poverty line is higher than average income of the general means-tested population who are at or below the poverty line. The average income for veteran pensioners overall and for those who are above the poverty line is less than the average income for the general means-tested population. Veteran pensioners are also less likely to have earned income and other retirement income than the general means-tested population.

Spouse pensioners are worse off than the general elderly means-tested population who receive need-based assistance from Federal programs. Fewer spouses receive this type of assistance, more are at or

below the poverty line, and overall spouses have lower total incomes. The percentage of the female elderly general population below the poverty line receiving need-based assistance is 51 percent, compared with 79 percent for the spouse pensioners. Spouses are also less likely to have earned income and other retirement income than the general means-tested population.

The amount of pension benefits that participants receive is driven by the eligibility formula. The characteristics of veterans and spouses that demonstrate statistically significant relationships to higher amounts of pension benefits are the following: financially supporting someone else, being confined to home due to disabilities, and being younger. Having dependents increases the amount of benefits; being confined to home is likely to result in receiving aid and attendance/homebound benefits; and younger pensioners are less likely to receive Social Security retirement and therefore get a larger portion of their income from a VA pension. Having at least a high school diploma and living with others are two additional factors that are statistically significant for spouses but not for veterans.

Comparing the survey results with VA administrative records, 23 percent of veterans and 27 percent of spouses indicate that have health care expenses. Of these pensioners with health care expenses, only 38 percent of veterans and 28 percent of spouses report them to VA. Reporting unreimbursed medical expenses (UMEs) would decrease the poverty rate for veterans and spouses by approximately 4 and 5 percentage points, respectively. Ninety-seven percent of spouses who do not report UMEs are at or below the poverty line. The UMEs in the VA administrative files are recurring expenses and do not include one-time UMEs that might be reported in an EVR. The timing of the survey and that of the administrative files differ from each other, but at a minimum, the policy of submitting UMEs at the end of the year is financially burdensome to VA pensioners and may result in UMEs not being submitted at all.

The income that VA provides to beneficiaries offers security because it is a stable income source. Approximately 90 percent of veterans and surviving spouses receive the benefit continuously after enrolling, and the benefit level remains stable.

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The Department of Veterans Affairs (VA) operates the Parents' DIC program and the Pension program for veterans and surviving spouses in the same processing centers. The application and claims processes are nearly identical for both programs. Exhibit 7.1 summarizes the process flow, showing the general procedures for applying for and receiving benefits. VA communicates the existence of the program through three modes—direct contact with the public, contact through Veterans Service Organizations (VSOs), and the Internet. Applicants can obtain assistance from VA (by telephone, in person where practical, or through inquiries on the Internet) or VSOs to complete the applications. VSOs have representatives at many local VA offices who actively help applicants understand requirements, complete forms, and obtain required documentation to substantiate eligibility (such as proof of military service). Applicants submit paper applications. Applications are available for printing through VA's Web site, but veterans are the only group that has the option of applying online. Once an application is received, a Veteran Service Representative (VSR) reviews it for completeness and contacts the applicant if additional information is needed.

Eligibility determination entails an income verification process and may involve a disability rating process.¹ Income is verified by a combination of automated record matching, documentation supplied by the participant, and other methods involving verification of information with third parties or other Government sources. The most prevalent income source, Social Security income, is verified electronically during the initial application process, while all other income is checked during the annual income verification process.

Claimants go through an eligibility determination process that requires information on income. Need is determined by the eligibility criteria and the income information provided by claimants to the VA processing office. The VSRs rely on computerized systems to respond to most claimant status requests. For general information, veterans and spouses call a toll-free telephone number that is handled at one of the three pension maintenance centers.

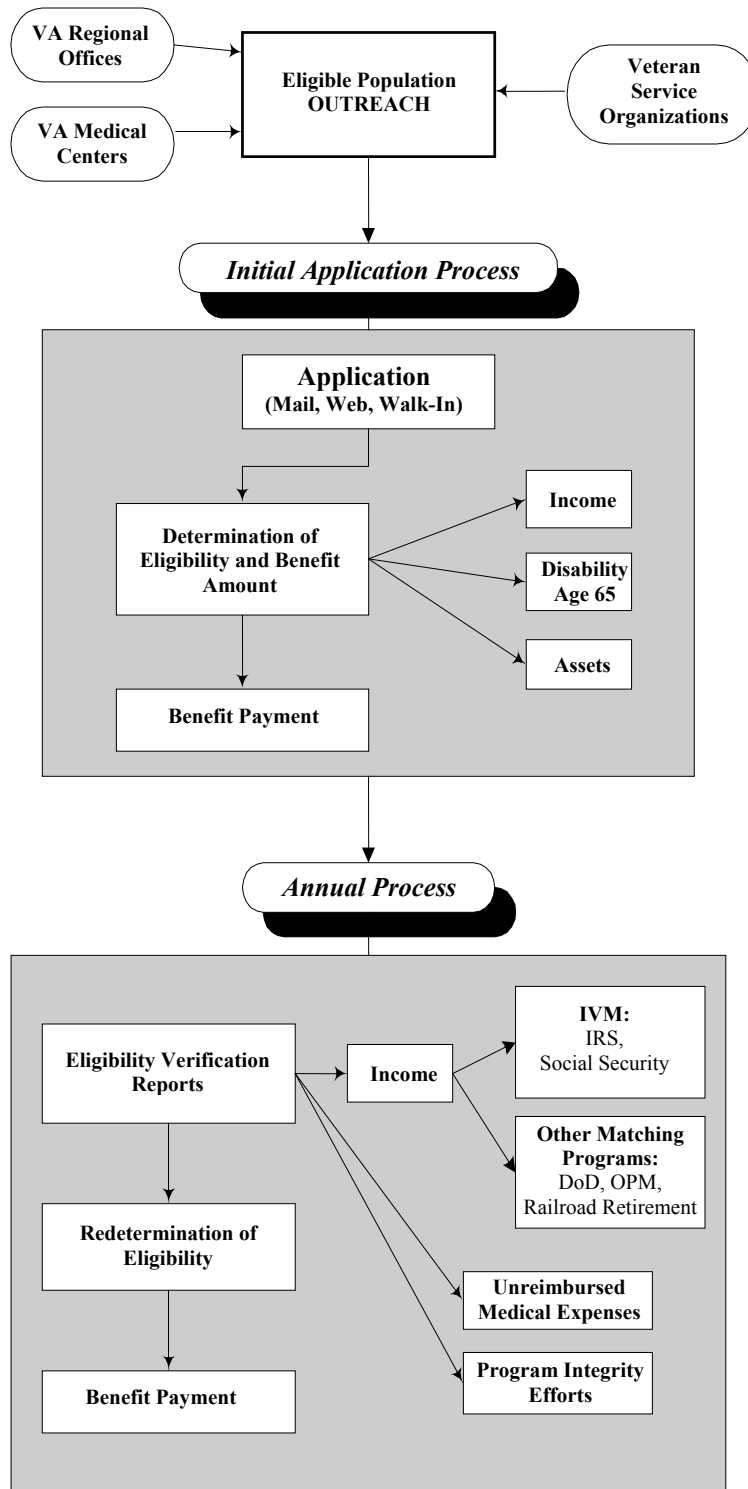
All 57 VA Regional Offices (VAROs) process original claims for pension benefits. These offices also performed annual maintenance functions until VA consolidated these services into three pension maintenance centers (St. Paul, Milwaukee, and Philadelphia) in the summer of 2003. Consolidation of annual maintenance functions (ongoing eligibility and income verification) for the Pension and Parents' DIC programs went into operation in January 2002 at three centers—Philadelphia, Milwaukee, and St. Paul. Few VA Regional Office staff have relocated or are relocating to a consolidation center. New staff have been hired and trained for the new centers. VA Central Office (VACO) officials view the advantage of the consolidation as creating centers of excellence, which will outweigh any potential disadvantage of not processing claims locally with onsite VSRs and VSOs to assist claimants. The availability of VSRs in local service centers is viewed as more important for the initial claim process, as opposed to ongoing income verification. The potential benefits of consolidation are to—

- ◆ Improve processing time
- ◆ Reduce the dollar value of overpayments and improve quality
- ◆ Reduce program administrative costs.

¹ A disability rating is required for veterans (not for spouses) under age 65, or on issues of aid and attendance, helpless child status, and incompetence for all pension applicants.

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Exhibit 7.1. Overview of Program Process Flow



Source: Study Team

A. WHO HAS ACCESS TO THE PROGRAM AND WHAT ARE THE OUTREACH EFFORTS?

I. Description of outreach processes

Stakeholders expressed concern that knowledge of the VA Pension program is not universal and that qualified veterans and surviving spouses are not receiving benefits to which they are entitled. VA intends that every veteran and survivor eligible for the pension program receive his or her benefit. Other stakeholders, including VSOs, encouraged the Study Team to address awareness during the program study. Information on outreach was obtained through discussions with VA program officials at headquarters and the St. Paul and Baltimore Regional Offices, and by examining the activity-based cost documentation provided by headquarters officials. VSO representatives described their outreach activities during stakeholder meetings.

The 57 VA Regional Offices (VAROs) are funded to conduct outreach activities. According to activity-based costing data provided by the Veterans Benefit Administration (VBA), 1.4 percent of FY 2001 pension administrative costs (which includes the Parents' DIC program) are allocated to conducting outreach for eligible veterans. Not limited to the pension program, outreach efforts include town hall meetings for all types of veteran benefits. In Iowa, for example, VA does sweeps about five times per year to create more awareness of the programs it offers. A sweep consists of sending staff members to several counties to hold a town hall meeting. Their goal is to conduct seminars that educate veterans on the benefits available to them.

Outreach efforts are also directed at certain population groups. For example, the St. Paul VARO assigns responsibility to staff members to contact certain populations about VA's programs. These populations may include tribal Indians, patients in VA hospitals, or homeless veterans.

VA representatives give seminars on benefits for widows of veterans at meetings of funeral home associations. The funeral homes are instructed to send a notice of death to VA when a veteran is buried. Then VA sends an application to the widow for benefits.

The Baltimore VARO recently began a half-hour program on a local cable station covering Q&As for the veterans and survivors. It coordinates with the Maryland Department of Veterans Affairs and area hospitals to reach out to people eligible for the Compensation and Pension programs. Other VAROs are running ads and broadcasting information on the radio and/or putting columns or articles in the local newspapers.

In addition, VA has a toll-free telephone system, walk-in facilities and staff, and correspondence to provide information on benefits. About 17 percent of the total FY 2001 pension administrative costs is devoted to assistance to applicants and recipients. Veterans and survivors also have access to information on benefits via the VA Web page.

VSOs, State, and local veteran agencies, and other Federal need-based programs also conduct outreach for VA programs. VSOs are colocated in VAROs throughout the country to help veterans access VA programs. VA provides the office space and equipment, while the VSO pays for the salaries of its staff located at the VARO. Staff answer questions and help potential recipients complete and submit an application. VSOs also conduct various programs that target certain groups, such as veterans who are

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homeless, in nursing homes, and in VA Medical Centers; veterans who are doing social work; American Indian veterans; and widows of veterans.

The outreach procedures described by VA primarily target veterans and secondarily target surviving spouses and dependents of veterans. The outreach tends to bundle all the VA programs and focus on veterans. No evidence is provided that VA targets the isolated elderly—housebound individuals and potential eligibles in nursing homes and senior facilities. Furthermore, while VA headquarters provide guidance to regional offices, the actual outreach is determined by each regional office and is likely to vary.

2. Effectiveness of outreach activities

The effectiveness of outreach efforts has been assessed through two of the study's methods. First, we questioned participants about their awareness of the program before their participation. Second, we used Census data to estimate how many eligible veterans and spouses are not participating in the program. We discovered the following:

- ◆ Our survey includes a sample of veterans and surviving spouses who had applied since 2000. We asked them how easy it was for them to find out about VA benefits. Two-thirds of veterans (65%) and most spouses (77%) say that it was easy, and one-fourth of veterans (28%) and 17 percent of spouses say that it was difficult (Appendices D and E, Table 76). The remainder did not provide an opinion.
- ◆ Among survey respondents, more than half of veterans (51%) and one-third of spouses (32%) say that they were eligible for benefits for an average of 11.4 and 5.4 years, respectively, before they applied for benefits. More than one-third of the veterans who did not apply when initially eligible (37%) and nearly one-quarter of the spouses who did not apply when initially eligible (24%) give lack of awareness of the program as a reason they did not obtain the benefit sooner. The next largest group of veterans (20% and 15%, respectively) say that they thought they would not be eligible for the program.
- ◆ In Chapter 3 we discuss nonparticipation in greater detail. By using Census data, we estimate that only 27 percent of the veterans and 14 percent of the spouses eligible for the pension program participated in 2001.

On the basis of the survey findings and our assessment of VA's outreach activities, we conclude that the outreach efforts for Pension program are ineffective.

B. HOW DO THE APPLICATION AND CLAIM PROCESSES WORK?

I. Description of processes

a. Application process

Veterans who make an initial claim must complete and submit VA Form 21-526 to receive pension benefits. This form, which is available online, can be requested by mail or telephone and submitted to VA. To help expedite the process, applicants are encouraged to provide the veteran's service and, where appropriate, disability status records with the claim if such records are available.

If the veteran is reopening a prior claim, he or she may complete the appropriate Eligibility Verification Report (EVR) or VA Form 21-527. If the veteran has income other than Social Security benefits, he or she is required to complete an annual EVR. These forms can be obtained and submitted in the same manner as an initial claim for benefits.

To begin the application process for the surviving spouse (or child),² the surviving spouse, child, or guardian must complete and submit VA Form 21-534. This form can be requested by telephone or mail and submitted in the same manner as the application process for veterans' disability pension described above. VA Form 21-534 is available online at the VA Web site, but application via Web is not available. Applicants who have a copy of the veteran's death certificate, marriage certificate, and the birth certificates of all dependents are encouraged to provide a copy with their claims to expedite processing. If the applicant has income other than Social Security benefits, he or she is required to complete an annual EVR. All maintenance and award actions for both programs are done at one of the three pension maintenance centers.

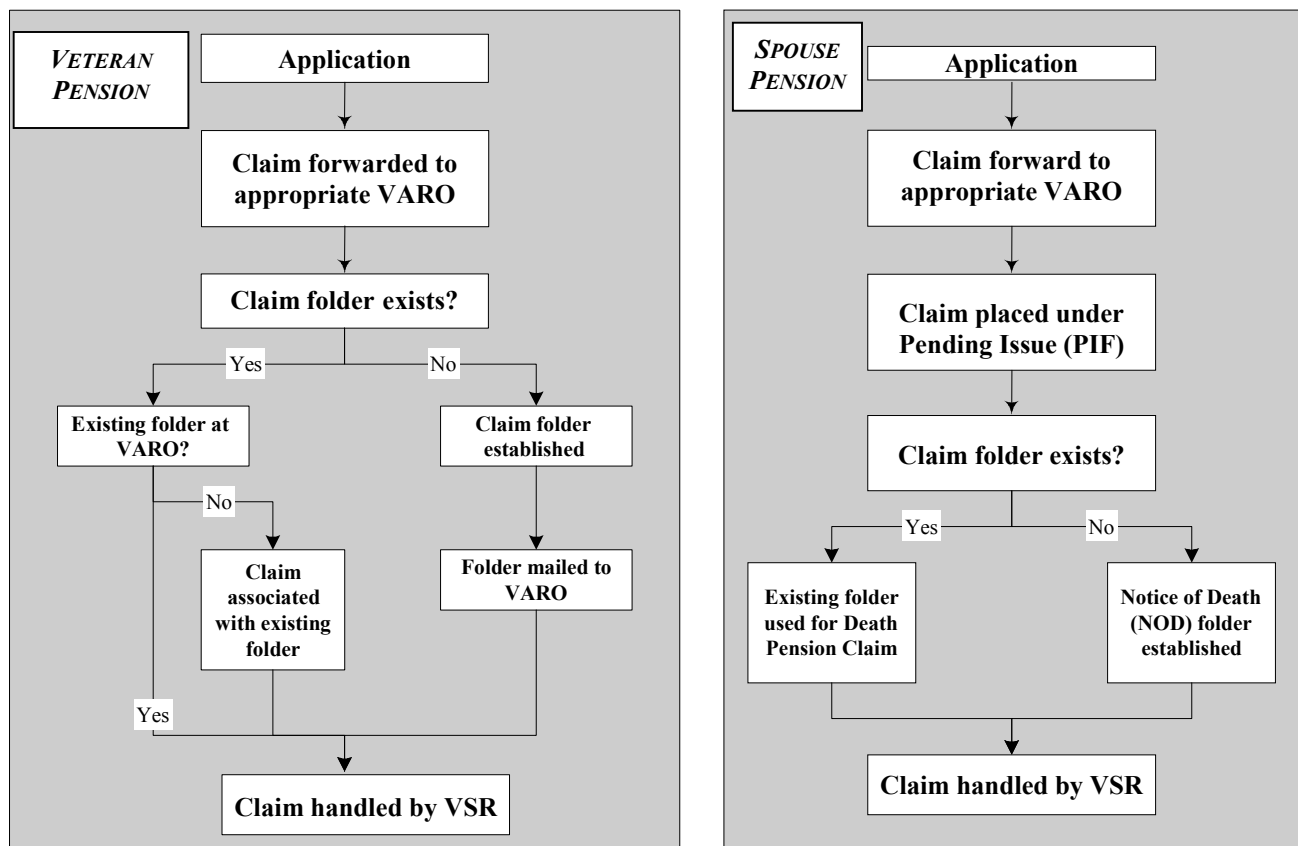
b. Claims process

The claim process for veteran pension and spouse pension is displayed in Exhibit 7.2. Once the application is received, it is forwarded to the VARO in the appropriate jurisdiction and placed under Pending Issue File (PIF). If the veteran had a claims folder at the current location, then the same folder is used for the spouse pension claim—the spouse's record is included in the veteran's file. In some instances, a new Notice of Death (NOD) claim folder is created for veterans who do not have a previous claims folder or for claims folders that are retired. For veterans pension claims, if the existing folder is not located at the current VARO, it is mailed to the location of the new claim. From this point, the claim is handled by a VSR.

² VA provides pensions to surviving children of deceased veterans and to children of veteran pensioners. Child pensioners are included in this study inasmuch as they live with a veteran or a spouse pensioner. Child pensioners who do not live with a veteran or spouse pensioner were not studied. They comprise a small fraction of the total VA Pension population.

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Exhibit 7.2. Claims Process for Veteran and Spouse Pension Programs



c. Eligibility verification

The VSR verifies the veteran's military service and discharge status and obtains the veteran's disability records if it has not already been done. For spouses, the VSR verifies that the veteran's military service occurred during a designated period of wartime, that the length of service was sufficient, and that the discharge was not dishonorable. The VSR verifies that the veterans and spouses are within the income limits set forth in the Code of Federal Regulations and whether the veteran is over 65 years of age. The VSR also verifies the applicant's net worth, relationship to the deceased veteran (for spouse pension only), marital status (veteran pension only), and the number of eligible dependents. If the claimant's net worth is high enough to constitute a potential impediment to benefits, additional documentation is requested.

VA conducts income verification matching (IVM) periodically through the Internal Revenue Service (IRS), Social Security Administration (SSA), and the Office of Personnel Management (OPM). IVM is discussed in greater detail below.

After all the evidence has been gathered and initial eligibility has been determined, the case goes to a rating specialist. After considering all the income sources, the claim is processed and the applicant is informed of the decision.

d. Disability rating for veterans under age 65

The rating specialist reviews the medical records for veterans under age 65 and determines the nature of the veteran's disability. If the veteran has identified medical records that show potential eligibility for benefits, those records are requested. If the veteran has already been seen in a VA medical center, those records are accessed electronically. Otherwise, a VA examination is scheduled. Once all the medical records are gathered and potential entitlement exists, a rating specialist determines whether the veteran is "permanently and totally disabled." If the veteran is in a nursing home or is "permanently and totally disabled" for Social Security Disability Insurance (SSDI) purposes, he or she is automatically deemed "permanently and totally disabled" for VA purposes. A rating specialist also determines whether the veteran is entitled to a pension at the aid and attendance (A&A) or housebound (HB) rates.

A VA examination is required if existing medical information is inadequate to determine eligibility to housebound or aid and attendance benefits. For the past 5 years, medical examinations have been contracted out to private physicians on a pilot basis because of problems with timeliness and quality during the Compensation and Pension (C&P) medical examination process. VA or contract physicians complete the VA Form 21-2680 to determine eligibility for HB and A&A benefits.

e. Net worth

VA's definition of net worth is the market value, less mortgages or other encumbrances, of all real and personal property owned by the applicant except the applicant's dwelling (single-family unit), including a reasonable lot area and personal effects suitable to and consistent with the applicant's reasonable mode of life (38 CFR 3.263).

In accordance with VA, M21-1, Part IV, paragraph 16.04c(1), "If a claimant's assets are sufficiently large that the claimant could live off these assets for a reasonable period of time," pension is disallowed for excessive net worth. Paragraph 16.04c(2) states: "No specific dollar amount can be designated as excessive net worth. What constitutes excessive net worth is a question of fact for resolution after consideration of the facts and circumstances in each case. A number of variables must be taken into consideration in making a net worth determination. Factors to be considered include the following: income from other sources, family expenses, claimant's life expectancy and convertibility into cash of the assets involved." Further, paragraph 16.04c(9) adds: "Prepare an administrative decision under paragraph 11.30 for approval by an authorizer if benefits are to be disallowed or discontinued because of excessive net worth. Also prepare a formal administrative decision if the claimant has an estate of at least \$80,000 and it has been determined that net worth is NOT a bar to entitlement. Always consider the claimant's net worth even though it might be below \$80,000. Net worth of substantially less than \$80,000 could be a bar to benefits in a particular case."

The managers we interviewed in St. Paul stated that claims are seldom denied due to excessive net worth. According to administrative records, net worth among pensioners is low or nonexistent, suggesting that few applicants have a net worth that requires review.

f. Payment process

Once the applicant is determined eligible for benefits and the benefit amount is established, payment arrangements are made. The beneficiary has the option of receiving monthly checks in the mail or

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electronic deposits into a bank account. VA Officials at the St. Paul VARO indicated that almost 80 percent of monthly C&P benefits are paid through electronic deposit.

g. Processing time

In 2002, claims were tracked using the Claims Automated Processing System³ (CAPS) and the Work in Progress (WIP) systems and were entered into the pending issue file. During FY 2002, average processing time for veterans pension and spouse pension benefits was 122.4 and 133.7 days, respectively. The timeliness of claims processing is calculated by dividing the total number of original claims completed by the total number of days required from date of claim to award processing.

The significant workload for the EVR and IVM processes affects the timeliness of claims payments. Also, the long processing time for claims is affected by the gap between the time certain information is requested and the time that information is received. VAROs are not in control of this aspect of the process.

A possible reason for a claim to be delayed or require additional development is incomplete application information. Sometimes an applicant does not provide enough information on his or her application to complete the process, which requires VA to contact the applicant (by telephone or letter) to request the information before the claim can be assessed.

2. Assessment of application, claims processes, and net worth

Some stakeholders expressed concern that burdensome aspects of the eligibility determination process might adversely affect timely access to the benefit. An important study question is the following: Does the eligibility determination process facilitate access to the program?

a. Ease of application processes

The 420 veterans and 416 spouse survey respondents who began receiving benefits since 2000 were asked about the interval between applying for VA benefits and receiving the first benefits. The findings about the wait time are as follows:

- ◆ 28 percent of veterans and 29 percent of spouses say that it was longer than expected. Among those who say it was longer than expected, 75 percent of veterans and 60 percent of spouses say this delay made it difficult for them to pay for living expenses.
- ◆ 27 percent of veterans and 20 percent of spouses say it was shorter than expected.
- ◆ 37 percent of veterans and 42 percent of spouses say it was about what was expected.
- ◆ 7 percent of veterans and 10 percent of spouses say they did not know or were not sure.

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Tables 77 and 77x.

Another key measure of the access outcome is how easy it was for applicants to apply for and obtain the benefit. Our survey asked recent participants how easy the application process was, the amount of

³ During the study period CAPS was used to track individual cases. However, CAPS was deactivated in September 2003, and since July 2003, the only approved system in addition to WIP to track individual cases is Modern Award Processing–Development (MAP-D). According to VBA, MAP-D is a significantly more powerful system than CAPS.

time they spent on the application, how they found out where to send forms and who to contact, and the amount of time elapsed between filing the application and receiving the first benefit payment. These questions were asked only of those 420 veterans and 416 spouse respondents who began receiving pension benefits since 2000. The results from the surveys are presented in Exhibit 7.3.

Exhibit 7.3. Recent Participants' Ratings of Ease of Various Aspects of Pension Benefits Application Process

How Easy Was It for Pension Benefit Recipients To Do the Following:	Difficult	Easy	Don't Know/ Nonresponse	Average Rating*
Veterans				
Understand how eligibility and benefit amounts are determined	33.3%	55.5%	11.2%	3.9
Find out about VA benefits	28.3%	65.2%	6.4%	4.2
Complete and send in other forms and documents needed to prove eligibility	19.5%	65.0%	15.5%	4.4
Complete and send in medical expense documents	17.4%	47.4%	35.2%	4.2
Fill out the application	16.5%	74.3%	9.3%	4.6
Get information from VA about where their application is in the review process	16.2%	60.5%	23.3%	4.4
Call VA's toll-free telephone number	14.5%	62.1%	23.4%	4.7
Get help from VA or VSO staff to obtain information and fill out application and forms	14.0%	80.0%	6.0%	4.8
Overall, find out and apply for VA pension benefit	19.0%	74.8%	6.2%	4.4
Number of veterans who began receiving VA benefits after 2000				420
Spouses				
Understand how eligibility and benefit amount are determined	30.3%	54.6%	15.2%	4.0
Find out about VA benefits	16.6%	76.6%	6.6%	4.6
Complete and send in other forms and documents needed to prove eligibility	15.9%	66.6%	17.6%	4.5
Complete and send in medical expense documents	15.4%	52.2%	32.5%	4.3
Get information from VA about where their application is in the review process	14.4%	61.1%	24.5%	4.5
Fill out the application	14.2%	70.9%	14.9%	4.6
Get help from VA or VSO staff to obtain information and fill out application and forms	12.2%	76.4%	11.3%	4.7
Call VA's toll-free telephone number	12.0%	58.5%	29.6%	4.7
Overall, find out and apply for VA pension benefits	17.8%	74.8%	7.4%	4.5
Number of spouses who began receiving VA benefits after 2000				416
*The rating scale used was: 1 = Very difficult; 2 = Difficult; 3 = Somewhat difficult; 4 = Somewhat easy; 5 = Easy; 6 = Very easy. Average ratings were calculated for those providing a rating. In this exhibit, very easy, easy, and somewhat easy are summarized as easy; difficult is summarized similarly.				

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 76X

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Most new enrollees had positive experiences trying to find out and apply for pension benefits; 75 percent of veterans and 75 percent of spouses rate this process as easy, while only 19 percent of veterans and 18 percent of spouses believe it to be difficult. Most of these pensioners rate other components of the application process as easy, including getting help from either the VA or VSO staff to obtain information and fill out forms (80% of veterans and 76% of spouses), filling out the application (74% of veterans and 71% of spouses), and finding out about VA benefits (65% of veterans and 77% of spouses). Less positive ratings are given for the processes of understanding how eligibility and benefit amount are determined (56% of veterans and 55% of spouses), and completing and sending in medical expense documents (47% of veterans and 52% of spouses).

b. Ease of VA Pension application process compared with application to other Federal programs

Respondents who receive benefits from other assistance programs were asked to compare the VA Pension program application process with that of the other programs. The 157 veteran respondents (23%) and 309 spouse respondents (48%) who indicated that they were receiving assistance from other programs gave the following responses:

- ◆ 32 percent of veterans and 33 percent of spouses say that the VA program was easier to apply for and receive benefits from.
- ◆ 22 percent of veterans and 34 percent of spouses report that the application process for the VA program was about as easy as that of other programs.
- ◆ 22 percent of veterans and 12 percent of spouses say that the VA program was harder to apply for and receive benefits from.
- ◆ 24 percent of veterans and 21 percent of spouses say that they did not know or refused to answer.

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 62

A higher percentage of respondents who receive larger benefit amounts (more than \$400 per month) find the process easier (32% of veterans and 45% of spouses), compared with respondents who receive lower benefit amounts (under \$100 per month), a group comprising only 21 percent of veterans and 29 percent of spouses.

Respondents who receive other Federal benefits were asked about the speed of the VA processes compared with that of other Federal programs; similar results were obtained:

- ◆ 29 percent of veterans and 34 percent of spouses say the speed of processes was about the same.
- ◆ 24 percent of veterans and 31 percent of spouses find VA benefits faster to apply for and receive.
- ◆ 25 percent of veterans and 14 percent of spouses rate VA benefits as slower to apply for and receive.
- ◆ 22 percent of veterans and 22 percent of spouses give no opinion.

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 63

Similarly to their assessment of the ease of the VA processes, respondents who receive benefits also vary in their ratings of the speed of the application process according to the benefit level they receive from VA. A higher percentage of respondents who receive larger benefit amounts (more than \$400 per month) find the process faster (27% of veterans and 38% of spouses), compared with the respondents who receive lower benefit amounts (less than \$100 per month), a group comprising only 11 percent of veterans and 27 percent of spouses.

c. Net worth

There are several variables in net worth determination (income from other sources, family expenses, life expectancy, and convertibility of the assets into cash) that may be interpreted differently by VSRs. Furthermore, VSRs use different methods for determining the value of assets. One VSR might call the local agricultural extension agent to obtain the value of land in that area, while another VSR might call the county tax office, each providing a different value.

Our assessment is that while net worth assessments are standardized, the actual circumstances introduce unavoidable variability into the process of net worth determination. However, since most veterans and spouses do not have any assets, we do not view net worth assessments as a significant factor that affects program outcomes.

C. WHAT ARE THE INCOME VERIFICATION PROCESSES?

I. Description of IVM

VA conducts IVM annually. It is important that this process be current to eliminate or minimize overpayments. Almost all the matches conducted are for current income data. VA conducts annual matches with SSA, OPM, the Department of Defense, the Civil Service, the Federal Bureau of Prisons, and the Railroad Retirement Board. These matches compare the most recent data. However, some of these programs are small and affect few recipients.

Financial institutions are not allowed to release information to VA because of the Right to Financial Privacy Act. When a discrepancy arises between the IVM and the information reported by the recipient, VA requests additional information from the recipient. If the recipient does not respond to the request, VA can request the information from the financial institution by issuing a subpoena. If a discrepancy is found, the recipient is notified and given 60 days to respond by supplying additional information and an explanation of the discrepancy. An IVM folder is created and stored in a secure location. If the recipient does not respond or fails to support his or her claim, the effective date of reduction or termination of benefits is the first of the month following the month when the income discrepancy originated.

IVM compares income reported to VA by pension recipients with IRS and SSA records. Strict IRS security and release of tax return information procedures require that correspondence or documents containing data directly traceable to the information furnished to VA by IRS or SSA be kept in IVM folders in locked cabinets. The IRS match examines unearned income records, including interest, dividends, and retirement income, while the SSA match addresses only earned income records.

CHAPTER 7. OPERATIONS

Only one of the income matches is not current. The income match that VA conducts with the IRS has a 2-year lag. This means that VA must wait up to 3 years before it is able to verify the income information provided by the applicant on the initial application. Consequently, an individual could receive benefits for 3 years before VA is able to determine that he or she is ineligible for benefits or that he or she is overpaid.

2. Assessment of IVM

IVM is an effective procedure. It helps ensure that only those who are financially qualified for the program receive benefits. Income matching, however, is not a simple procedure. When a discrepancy is discovered, it must be followed up to ascertain whether the discrepancy is an error. This can be a time-consuming process for both VA and the recipient to obtain and process the documentation needed to resolve a discrepancy discovered through the matching processes. The 2-year wait period to match the pension recipient's income data with the IRS data exacerbates this type of problem.

D. WHAT ARE THE COLLECTION PROCESSES?

I. Description of collection processes

Once an overpayment has been discovered, recipients are notified of their account status within 10 days. The overpayment letter advises them of the right to request a waiver. If a waiver is not requested, the VA Debt Collection Center begins the collection process against current funds due, if any. However, the claimant has 120 days to request a waiver and, if requested, further collection effort is suspended until the waiver is decided. Recipients have four options: pay back the overpayment, request a waiver, negotiate a compromise, or do nothing at all. During our visit to the St. Paul VARO, the VA Debt Collection Center officials indicated that most recipients lack the financial resources to pay back the overpayment.

Those who request a waiver are not given one automatically. Waivers are granted based on several factors, including family situation, financial situation, and character of the recipient.⁴ If the debt is less than \$25, it is automatically waived after a certain period.

Recipients can also offer a compromise. For example, if a recipient owes \$1,000 but can only afford to pay back \$500, VA can accept the offer, deny the offer, or make a counteroffer (\$750, for example). Once an agreement is reached, the recipient has 1 year to repay the debt. If the recipient cannot make the payment within this timeframe, he or she must provide financial data to explain why. An extension of up to 3 years may be granted.

If a recipient chooses to do nothing or not to respond, VA sends a second and a third letter. Altogether, the recipient has 120 days to request a waiver. After 180 days, a fourth letter is sent. That letter notifies the recipient that after 180 days, active collection begins through the IRS and collection agencies. Finally, a credit bureau is notified that a debt exists. The letter also states that the case has been turned over to an independent collection agency and that the recipient will be charged an additional 25 percent of the past due amount.

⁴Waivers based on the character of the recipient apply only to the Debt Management Center and not to VA pension operations.

2. Assessment of collection processes

The collection process is an effective procedure that supports program goals. It helps VA ensure that benefits are going to eligible veterans and spouses and that the correct benefit amount is paid.

E. WHAT ARE THE APPEALS PROCESSES?

I. Description of appeals processes

Applicants who are not satisfied with the outcome of the pension eligibility determination process may file an appeal with VA. The St. Paul VARO officials stated that veterans and spouses file few appeals and that the bulk of the appeals are for Veteran's Disability Compensation.

We performed a search of court decisions related to the VA Pension program. With the assistance of the VA Office of General Counsel, we conducted a LexisNexis search for the court cases that include a reference to veterans' disability pension and death pension. Decisions include those handed down by the Court of Appeals for Veterans Claims (CVAC), the United States District Courts, the United States Circuit Courts of Appeals, the United States Court of Claims, the United States Tax Court, the United States Bankruptcy Court, and the United States Supreme Court. As an additional check, we searched the CVAC Web site for cases involving pension programs.

In that search, we found no cases that mandate changes in VA's procedures for the administration or payment of pension benefits, or decisions that would interfere with the operation of the program or with satisfaction of program objectives. Most cases involve interpretation of statutes and regulations regarding eligibility for benefits or other matters related to the facts and circumstances of the cases.

An example of such a case is Plato et al. versus Roudebush. This class action suit challenged VA's authority to reduce or terminate pension benefits without a pre-termination hearing. The Maryland District Court ruled on July 7, 1975 that VA has the right to take such actions when—

... the proposed reduction, termination or suspension of benefits is based upon the mere application of numerical standards to clear, written statements of fact, made by the beneficiary, to the Veteran's Administration, with knowledge, or with notice that such statements of fact would be used to calculate benefits, provided that the beneficiary's statements of fact are accepted as true and that such statements of fact, standing alone, are conclusively determinative of the beneficiary's pension entitlements; or (2) is based upon reliable information from which it reasonably appears to the Veteran's Administration that the pension beneficiary has died; or (3) is based upon the beneficiary's failure to return the annual income questionnaire.

The U.S. Court of Appeals for the Seventh Circuit upheld the ruling of the U.S. District Court for the District of Maryland on June 10, 1987. Part of the underlying logic of this case is to streamline processes to prevent overpayments.

CHAPTER 7. OPERATIONS

We did find a pair of cases⁵ that were consolidated for CVAC action, in which the court found that the statute applying to submission of EVR created a no-win situation in the case of deceased pension recipients. The law, as drafted and administered by VA, would not recognize a veteran's unreimbursed medical expenses (UMEs) that accrued during the year but were not submitted before the veteran's death. The court interpreted that the veteran receiving an improved pension would have to have filed an EVR immediately preceding his or her death to be eligible for an adjusted pension reflecting unreimbursed medical expenses. Furthermore, the court determined that the secretary "was statutorily obliged to give the veterans the 'information [they] needed' in order to make timely and effective application for an upward adjustment of pension based on unreimbursed medical expenses under 38 U.S.C. section 1503(a)(8)."⁶ VA should have provided a warning to veterans receiving a pension that unreimbursed medical expenses not submitted before their death could not be considered in making pension adjustments. The law does not permit a surviving spouse to provide this evidence after the veteran's death. The court suggested that Congress provide a legislative remedy for what it viewed as an inequitable situation. The court did not opine whether it believed that this situation impairs meeting program objectives.

On April 20, 2001 VA issued a proposed rule (66 FR 20220-23) to allow VA to increase or decrease benefits on the basis of information submitted orally or by e-mail, facsimile, or other electronic means, and to allow VA to reduce or terminate benefit payments based on information reported orally without issuing a 60-day advance notice, but only under certain conditions that assure that claimants are not deprived of benefits without adequate notice. This rule was adopted without comment on November 9, 2001 (38 CFR Part 3) and streamlines processes for both the claimant and VA.

2. Assessment of appeals processes

The appeals process is not a significant issue for the Pension program. Given the nature of the program, there is not much of a basis for veterans and spouses to challenge VA's decisions.

The *Plato et al. v. Roudebush* case and the change in regulation (38 CFR, Part 3) illustrate decisions that streamline processes and improve accuracy. These decisions reduce burden on VA and on the claimant, and prevent claimants from receiving overpayments that they later have to pay back. Previously VA gave beneficiaries a 60-day period of notice for a reduction or termination of benefits. During that period, beneficiaries would continue to receive overpayments. Rule 38 CFR, Part 3 prevents overpayments during the 60-day period, and allows beneficiaries to receive retroactive payments if the overpayment determination was made in error. The decision to accept information from claimants through various means rather than only accepting claimants' written submissions reduces the burden to claimants, streamlines processing, and improves timely and accurate reporting of information.

⁵ *Conary v. Derwinski*, No. 90-1571, and *Coxey v. Derwinski*, No. 91-473.

⁶ *Ibid.*

F. HOW DO THE APPLICATION AND EVR FORMS WORK?

I. Description of pension application and eligibility verification forms

a. Application form

Veterans must complete VA Form 21-526 and submit it to a local VARO. VA Form 21-526 contains general instructions for both C&P programs and has four parts (A, B, C, and D). Pension applicants are required to complete Parts A, B, and D. Part A, General Information, includes questions that are not applicable to the VA Pension program eligibility or requirements. Some examples include whether the veteran served in the Vietnam or the Gulf War, whether the veteran was a prisoner of war, what country or government imprisoned the veteran, and what military benefits the veteran receives.

For the initial spouse pension claims, surviving spouses and dependents must complete VA Form 21-534 and submit it to the VARO in the same manner described above, with the exception that the spouses' online application is not available for this form. This form was last updated in June 1998. VA will accept VA Form 21-534 from September 1994.

b. EVR form

The EVR is an annual form that recipients must complete to establish their continuing entitlement to pension benefits. It requires that pensioners submit updated information on their income. There are seven types of EVRs for Veterans' Disability Pension, Spouse Pension, and the Parents' DIC programs, but there is only a four-page instruction booklet that applies to all three programs.

c. Reporting unreimbursed medical expenses

If given a choice of procedure, 39 percent of veterans and 38 percent of spouses indicate that they prefer to continue providing VA with documentation of unreimbursed health care expenses to get their VA benefits increased, whereas 32 percent of veterans and 29 percent of spouses indicate that they prefer not to provide VA with the list of unreimbursed health care expenses but have VA increase benefits to all recipients equally to cover some of their unreimbursed health care expenses. A high percentage of veterans (29%) and spouses (34%) do not have an opinion or refuse to answer, which may indicate their lack of familiarity with the policies governing unreimbursed medical expenses.

These results differ by whether the survey respondents with health care expenses did or did not claim unreimbursed medical expenses to VA (Exhibit 7.4). Veteran and spouse pensioners with health care expenses who claim UMEs to VA want to continue to do so. Among those who have health care expenses and claim UMEs, 20 percent more veterans and 30 percent more spouses want to continue this practice than those who prefer that VA increase benefits to cover some unreimbursed medical care expenses. More veterans and spouses who have health care expenses and do not claim them to VA do not want VA to require submission of UMEs. Instead, they want VA to increase everyone's pension benefits equally to cover some of the health care expenses. Pensioners who do the paperwork to claim medical expenses feel it is worthwhile to do so, whereas those who do not do it would prefer a smaller increase in pension for everyone but less paperwork. A substantial proportion (21% to 36%), however, have no opinion on the matter.

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Exhibit 7.4. Comparison of Respondents' Preferences for Claiming or Not Claiming UMEs, for Veterans and Spouses Who Reported Unreimbursed Health Care Expenses

Preference for Reporting UMEs	Claimed UMEs to VA and Reported Unreimbursed Health Care Expenses in Survey		Did Not Claim UMEs to VA and Reported Unreimbursed Health Care Expenses in Survey	
	Veteran	Spouse	Veteran	Spouse
Continue reporting UMEs to VA	46.7%	57.1%	36.5%	32.3%
Do not report UMEs and give everyone the same health care deduction	26.7%	18.4%	42.7%	32.3%
Don't know/Nonresponse	26.7%	24.4%	20.9%	35.5%
Total	100%	100%	100%	100%

Source: Survey of Veteran and Spouse Pensioners and VA Administrative Records

2. Assessment of the application and the EVR form

a. Application and EVR information requests

The application does not include the same income, deductions, and expense requests as the EVR. The EVR is more specific than the application, VA Forms 21-526 and 21-534. This may lead to inaccurate reporting on the initial application and cause problems for both the applicant and VA. For example, the application does not prompt the applicant to include earnings from sources such as VA education benefits, inheritance, and gambling. After receiving benefits for 1 year, the recipient completes the EVR. In the EVR, recipients are prompted to report earnings from the sources listed above, specifically earnings that may put them over the income threshold set by law and render them ineligible for benefits. When VA notices the discrepancy and discovers an overpayment, recipients must pay back the overpayment if they want to continue receiving benefits. Since recipients are already considered needy, this places an even greater hardship on them.

We understand that the same form is used for both Veterans' C&P benefits, but that places unnecessary burden on veterans who apply for pension benefits only. We suggest that Part A have separate sections for the C&P benefits applicants.

Since the applicants are asked to attach an original or a certified copy of their DD-214 (Report of Transfer or Discharge), some of the questions pertaining to the active duty service in Part A can be dropped. The applicant can be asked whether he or she is attaching his or her DD-214; if the answer is yes, then he or she will be instructed to skip the questions related to active duty service.

b. Unreimbursed medical expenses

The instructions and the application for reporting medical expenses appear confusing. For instance, Form 21-526, the application for veteran pension (and other benefits) includes unreimbursed medical expenses in Part D, Section VI. Page 3 of the form includes a checklist of "things you need to prepare for filling out your application." The checklist excludes information about medical expenses, except for medical expenses associated with the veteran's disability. The implication is that the applicant does not need to assemble information for other medical expenses. The only general instruction for the pension

portion of the application concerns net worth. There is no general instruction on how to complete the medical expense information later in the application. The instruction in Part D, Section VI of the application tells applicants to list unreimbursed medical expenses for the applicant and his or her dependents, as well as expenses associated with the veteran's disability, including legal expenses. The instructions are confusing, since they ask applicants only to assemble medical expenses associated with the veteran's disability rather than all family medical expenses. This may result in medical expenses not being reported. Further, by not informing applicants that medical expenses may be deductible from income, applicants may not be motivated to gather this information. The only instruction that indicates that medical expenses are deductible from income refers to expenses associated with the veteran's disability.

Since a large portion of family medical expenses are deductible in calculating the pension benefit amount, it seems counterintuitive not to include or report family medical expenses in the EVR. The opening line for the medical expense instruction is: "You are not required to report family medical expenses." Although the next line of instruction indicates that it may be to the pensioner's advantage to do so, we believe that the first line of this instruction may be the only line that some pensioners read and therefore is a barrier to reporting medical expenses. The EVR instructs pensioners to request and report medical expenses on a separate form—VA Form 21-8416, Medical Expense Form. Instructions on the EVR indicate that medical expenses are normally reported at the end of the year.

Asking pensioners not to report medical expenses until the end of the year may create a barrier to pensioners obtaining medical care, particularly because 83 percent of spouses and 15 percent of veterans are at or below the poverty line. Survey results show that veterans and spouses are cutting back on medical care because they cannot afford it and that they have unmet health care needs, particularly for dental care, prescription drugs, and vision care.

c. Exclusions from income

The application and the EVR forms do not prompt applicants to exclude allowable deductions such as unusual transportation expenses pertaining to education, reimbursement for casualty loss due to a natural disaster or catastrophe, and Servicemembers Group Life Insurance and National Servicemembers Life Insurance payments. Applicants may overstate their income due to information omitted from the application and the EVR forms. Applicants may not know that they do not have to claim certain types of income and/or expenses and may group them with other income without describing their source. However, given the low-income and educational levels of pension recipients, it is not likely that the complexities associated with reporting business and transportation expenses are relevant to many applicants.

d. Aid and attendance and housebound benefits

The initial application requests information for determining whether an applicant also qualifies for aid and attendance or housebound benefits. However, the EVR does not. As pensioners age, they may become eligible for these benefits, but currently they are not queried about eligibility in the EVR. Consequently, not all of those eligible may be receiving aid and attendance or housebound benefits.

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e. Accessibility of information

Applicants who have access to the Internet, directly or indirectly (through friends, neighbors, relatives, or public libraries), will also have access to more information about the VA Pension program, eligibility requirements, income limits, and benefit amounts. For example, a veteran who has access to the fact sheets, rate tables, or examples given on the VA Web site will have more information on the Pension program than a veteran who does not have access to the Internet. Unfortunately, Internet access is probably low for pensioners—none of the survey respondents applied through the Internet (Appendices D and E, Table 9).

Although the rate tables available on the VA Web site are useful, it is cumbersome to access the Regulations links on how to use the rate tables at the bottom of the example. We recommend that VA test all of the links and pages before publishing them on the Web.

G. WHAT IS THE COST OF ADMINISTERING THE VA PENSION PROGRAM

VBA calculates the administrative costs related to their six business lines (Compensation, Pension, Education, Loan Guaranty, Vocational Rehabilitation and Employment, and Insurance) with the activity-based costing (ABC) accounting methodology. Exhibit 7.5 shows the FY 2001 administrative costs for the six business lines. Eighteen percent of the VBA administrative costs (\$189,392,795) are attributed to pension activities. As Exhibit 7.6 illustrates, the pension activities are grouped under four core processes and subdivided into 10 basic processes in an activity dictionary.

Exhibit 7.5. FY 2001 Administrative Costs, by VBA Business Line

Business Line	Administrative Costs	Total Annual Benefits	Cost Percentage
Compensation	\$489,840,876	\$20,884,034,876	2.3%
Pension	\$189,392,795	\$3,207,458,795	5.9%
Education	\$71,209,274	\$1,430,824,274	5.0%
Insurance	\$35,869,301	\$602,294,577	5.5%
Loan guaranty	\$149,620,676	\$831,693,676	18.0%
Vocational rehabilitation	\$122,477,577	\$655,524,301	20.3%
Non-VBA	\$6,714,231		
Total	\$1,065,124,731	\$27,611,830,499	3.8%

Source: VBA Program Officials

Exhibit 7.6. Core Processes and Basic Processes of VBA’s Activity Dictionary

I. Manage and Award Benefits
Process claims
Appellate review
Benefit support
II. Inform and Educate VBA, Stakeholders, and Beneficiaries
Provide information on benefits
Training
III. Manage Resources
General support
Personnel management support
Stakeholder relations support
Planning/Financial management support
IV. Manage Information Technology
Maintain systems

Source: VBA Program Officials

Exhibit 7.7 lists the total amount of benefit payments made to the VA Pension and Parents’ DIC recipients, the administrative costs, and the total expenditure (sum of the administrative costs and the total payments) as of FY 2001. The total administrative costs are not available individually for the type of Pension program, such as Section 306 Pension, New Law Pension, and Protected Pension for veterans and survivors, or for the Parents’ DIC program, but they are provided for all of the programs combined under the VA Pension program. VA officials suggest that the administrative costs as a percentage of total expenditure should be approximately the same for each Pension program, as well as for the Parents’ DIC program. As Exhibit 7.7 indicates, that ratio is 6 percent.⁷

Exhibit 7.7. Pension Administrative Costs, Payments, Ratio, and Recipients, FY 2001

Program	Administrative Costs	Annual Payments	Ratio of Administrative Costs to Total Expenditure	Number of Recipients
Veterans’ Pension	\$189,392,795	\$2,173,288,320	6.3%	348,052
Survivors’ Pension		\$647,578,584		241,467
Parents’ DIC		\$22,076,330		9,384
Total	\$189,392,795	\$2,842,943,234	6.3%	598,903

Source: VBA Program Officials

⁷ This ratio is relatively low compared with the administrative cost ratios for the other income need-based programs, as shown in Appendix F.

H. SUMMARY

The outreach procedures described by VA primarily target veterans and secondarily target surviving spouses and dependents of veterans. The outreach tends to bundle all the VA programs and focus on veterans. No evidence was provided that VA systematically targets the isolated elderly—housebound individuals and potential eligibles in nursing homes and other senior facilities. Furthermore, outreach varies in type and intensity, by VARO.

Once an applicant is found eligible for the Pension program, VA has good procedures and processes to provide relevant information about the program, verify overpayment amounts, or deny benefits to ineligible applicants.

Applicants report that the application process is easy. However, nearly all of them (90% +) had assistance in completing the application. As discussed in Chapter 3, nonparticipating eligibles find the application daunting and inappropriate for the educational level of applicants. Our review of the application and the EVR suggests that both can be improved to increase reporting accuracy.

Some program information is not relayed effectively to the applicants. The information provided in the application and the EVR is not identical. Examples include what can be added to or deducted from total household income when determining eligibility and the benefit amount. This may result in some applicants not receiving the income support they are entitled to from the Pension program. In some cases, applicants may decide not to apply for pension benefits, assuming that their household income would make them ineligible for the program.

Applicants who have access to the Internet, directly or indirectly (through friends, neighbors, relatives, or public libraries), also have access to more information about the Pension program, eligibility requirements, income limits, and benefit amounts. The online rate tables and fact sheets provide simple examples that explain the Pension program in a more understandable way than the instructions attached to the application. We recommend providing the fact sheets, rate tables, and examples to the applicants who apply with a hard copy because we infer that most pensioners are not Internet users. None of the pensioners applied through the Internet.

Accessing fact sheets on the VA Web site is cumbersome. Also, some of the links to the regulations on the rate tables page on the VA Web site are not accessible. Although internal tests of the VA Web site show no sign of link problems cited, access difficulties outside of the VA intranet still exist. We recommend that VA test all of the links and pages outside of the VA intranet environment before publishing them on the Web, and periodically thereafter.

Some of the information on the EVR form is more specific than that on the applications, which can lead to problems for the applicant and VA. For example, the application does not prompt the applicant to include earnings from VA education benefits, inheritance, insurance, and gambling. After receiving benefits for 1 year, recipients complete the EVR. The EVR prompts recipients to report earnings from the sources listed above, specifically those that put them over the income threshold set by law and make them ineligible for benefits. If VA discovers that it made an overpayment, recipients must refund the overpayment if they want to continue receiving benefits. This is inconvenient for applicants and stigmatizes them. Furthermore, recipients are likely to have low income, and repayment places an even greater financial hardship on them.

Only the application and not the EVR requests information to determine eligibility for aid and attendance or housebound benefits. Since some pensioners may develop conditions meeting

requirements for these additional benefits, it is possible that some eligibles may not be receiving aid and attendance or housebound benefits.

VA CO officials indicate that on an initial application, medical expenses that occurred before the application date cannot be deducted from income, but VA considers deduction of recurring medical expenses on a prospective basis. If claimants are denied because their income exceeds the limit and they are not in a nursing home, VA advises the denied claimants that they can report UMEs at the end of the year and that benefits will be granted from the date of claim. However, some eligible applicants, not knowing that at the end of the year they can deduct their recurring medical expenses, may not apply for pension benefits, assuming that their income is above the limit.

The current IVM program with IRS has a 2-year lag. This means that VA must wait 2 years before it can verify the income information provided by applicants on the initial application. Consequently, applicants could be receiving benefits for 3 years before VA is able to determine that they are ineligible for benefits or that they are overpaid. We found no court cases that mandate changes in VA's procedures for the administration or payment of pension benefits or decisions that would interfere with the operation of the program or with satisfaction of program objectives. Most cases involve interpretation of statutes and regulations regarding eligibility for benefits or other matters related to the facts and circumstances of the cases.

CHAPTER 8. NEEDS

Chapter 8 presents several measures of VA pension recipients' needs, including a detailed assessment of their financial situation, the adequacy of the VA benefits in covering living expenses, the frequency of running out of money, and the overall impact of the VA program on meeting pensioners' needs. This chapter also depicts respondents' ratings of their financial situation before and after they began receiving VA benefits. The results presented in this chapter are based primarily on the Survey of Veteran and Spouse Pensioners.

A. HOW DO PENSIONERS ASSESS THEIR CURRENT FINANCIAL SITUATION?

I. How do pensioners rate their financial security?

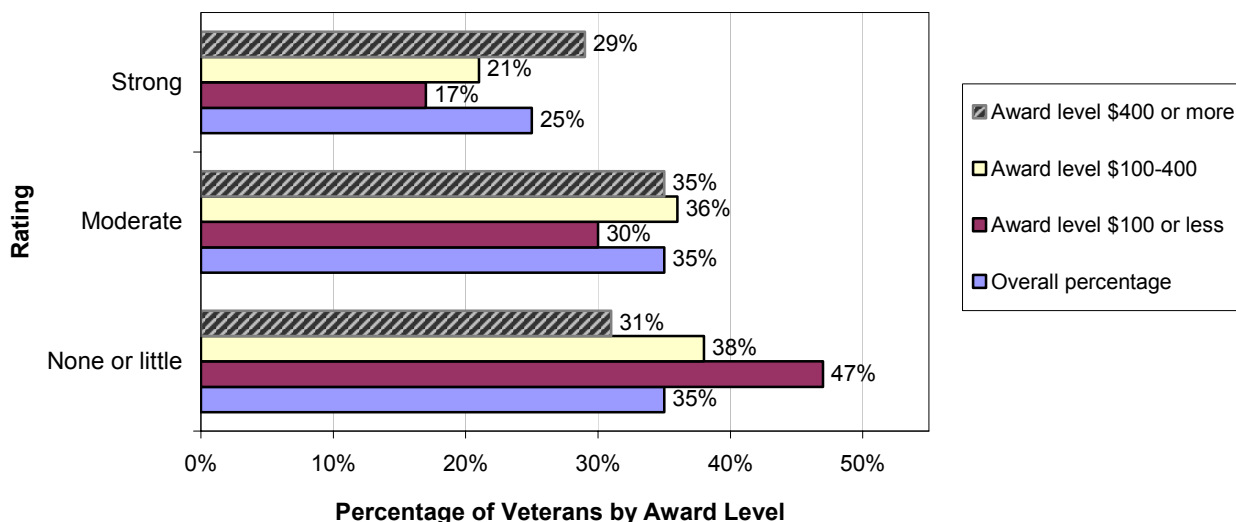
Exhibit 8.1.a presents veterans' ratings of the financial security that their VA pension benefit provides, overall and by award level. Overall, 35 percent of the surveyed veterans believe that their VA pension benefit gives them little, very little, or no financial security, 35 percent rate their VA benefit as providing moderate financial security, and 25 percent perceive their VA benefit as providing them strong or very strong financial security. On average, veterans rate their financial security at 3.76, which is between little and moderate. Not surprisingly, ratings of the financial security provided by the VA benefits increase with the award amount. A higher percentage of veterans who receive the lowest benefit amount (\$100 or less) rate the VA benefit as providing little, very little, or no financial security (47%) than respondents with awards of \$100–\$400 (38%) and those with more than \$400 in VA benefits (31%). More veterans who receive the largest benefit amount (more than \$400) rate the VA benefit as providing strong or very strong financial security (29%) than do respondents with awards of \$100–\$400 (22%) and those with \$100 or less in VA benefits (17%). Veterans with children feel that they have less financial security—41 percent compared with 35 percent for all veteran pensioners say that they have little, very little, or no financial security. Recent veterans feel that their financial security is stronger—only 27 percent of recent veteran participants assess their pension as providing little, very little, or no financial security, compared with 35 percent of all veterans. Veterans' views of the financial security provided by their pension also vary by race. More non-White veterans rate their VA pension as providing little, very little, or no financial security (41%) than White veterans (33%).

Spouses are more positive than veterans in their assessment of the security provided by the VA pension. Exhibit 8.1.b presents spouses' ratings of the financial security that their VA benefit provides, overall and by award level. Overall, 28 percent of the surveyed spouses believe that their VA pension benefit gives them little, very little, or no financial security, 34 percent rate their VA benefit as providing moderate financial security, and 34 percent perceive their VA benefit as providing them strong or very strong financial security. On average, spouses rate their financial security at 4.03, which is moderate. Similar to the veterans' ratings, spouses' ratings of the financial security provided by their VA benefit increase as award amount increases. A higher percentage of spouses who receive the lowest pension amount (\$100 or less) rate their pension as providing little, very little, or no financial security (38%) than respondents with benefits of \$100–\$400 (28%) and those with more than \$400 in VA benefits (17%). A higher percentage of spouses who receive the largest benefit amount (over \$400) rate their VA pension as providing strong or very strong financial security (41%) than respondents with awards of \$100–\$400 (34%) and those with \$100 or less in VA benefits (28%). Recent participants and spouses with children also rate their financial security lower—34 percent of

CHAPTER 8. NEEDS

these groups say that the VA pension provides little, very little, or no financial security. Non-White spouses feel far less financial security than their White counterparts—39 percent of the non-White spouses and 22 percent of White spouses rate the financial security provided by their pension as little, very little, or none.

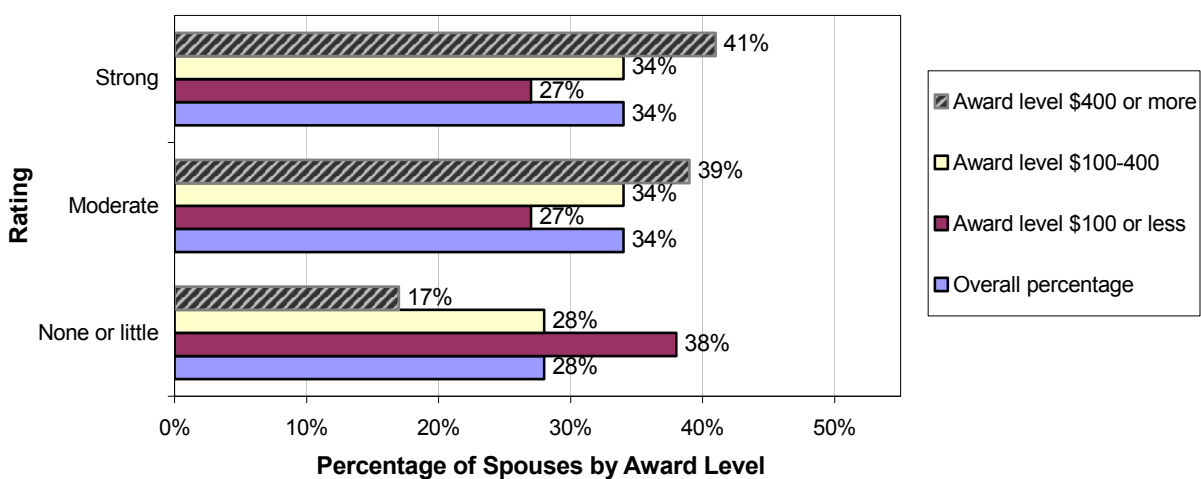
Exhibit 8.1.a. Veterans' Ratings of the Financial Security Provided by VA Benefits, Overall and by Award Level



Note: Percentages do not total 100. Refusals and "Don't know" responses have not been included in this table.

Source: Survey of Veteran Pensioners, Appendix D, Table 85

Exhibit 8.1.b. Spouses' Ratings of the Financial Security Provided by VA Benefits, Overall and by Award Level



Note: Percentages do not total 100. Refusals and "Don't know" responses have not been included in this table.

Source: Survey of Spouse Pensioners, Appendix E, Table 85

2. How do pensioners assess their current financial situation?

VA pension recipients’ assessment of their current financial situation reveals that the largest percentage of pensioners (44% of veterans and 43% of spouses) can afford only basic necessities, with little or no money left for other expenses, while 20 percent of veterans and 25 percent of spouses indicate that their financial situation is defined as having to make major sacrifices and cutting back on basic necessities (Exhibit 8.2.a). Overall, the smallest percentage of respondents acknowledge that they are able to take care of their living expenses and have some money left over (13% of veterans and 11% of spouses).

Assessment of the financial situation tends to become less negative with age. A larger percentage of older respondents indicate that they can take care of living expenses and have some money left over (19% of veterans and 11% of spouses) than those aged 75–79 (13% of veterans and 12% of spouses) and respondents younger than 65 years of age (11% of veterans and 8% of spouses). Conversely, a smaller percentage of the oldest respondents report that they have to make major sacrifices and cut back on basic necessities (16% of veterans and 19% of spouses) than those aged 75–79 (20% of veterans and 24% of spouses) and respondents younger than 65 years of age (24% of veterans and 36% of spouses). Nevertheless, the largest percentage of the oldest respondents indicate that they can afford only basic necessities, with little or no money left (42% of veterans and 47% of spouses) (Table 74, Appendices D and E).

Exhibit 8.2.a. Pensioners’ Assessment of Their Current Financial Situation

Assessment of Current Financial Situation	Veterans	Spouses
Can afford only basic necessities, with little or no money left	44.3%	42.7%
Have to make major sacrifices and cut back on basic necessities	20.2%	25.3%
Can barely take care of living expenses	19.9%	19.0%
Can take care of living expenses, and have some money left over	13.1%	10.5%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 74

There is no consistent pattern across the responses by award level. However, respondents with children and younger respondents rate their current financial situation more negatively than other groups of respondents do. Among the sampling groups, the largest percentage of respondents reporting that they have to make major sacrifices and cut back on basic necessities are respondents with children (33% of veterans and 28% of spouses) and younger respondents (24% of veterans and 36% of spouses) (Appendices D and E, Table 74). Conversely, respondents who are the least likely to indicate that they can take care of living expenses and have some money left over are respondents with children (5% of veterans and 5% of spouses) and younger respondents (11% of veterans and 8% of spouses).

VA pension recipients’ assessment of their current financial situation reveals that non-White respondents rate their current financial situation more negatively than White respondents do (Exhibit 8.2.b). The difference is most pronounced for non-White spouses—only 3 percent meet living expenses and have some money left over, compared with 15 percent of White veterans,

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9 percent of non-White veterans, and 14 percent of White spouses. Non-White respondents, particularly spouses, are also more likely than White pensioners to acknowledge having to make major sacrifices and cutting back on basic necessities (23% of non-White veterans, 19% of White veterans; 34% of non-White spouses, 21% of White spouses). However, a similar percentage of White and non-White VA pension recipients indicate that they can barely take care of living expenses (20% of non-White veterans, 20% of White veterans; 20% of non-White spouses, 19% of White spouses).

Exhibit 8.2.b. Pensioners' Assessment of Their Current Financial Situation, by Race

Veterans' Assessment of Their Current Financial Situation	Percentage of White Veterans	Percentage of Non-White Veterans	Percentage of White Spouses	Percentage of Non-White Spouses
Can afford only basic necessities, with little or no money left	43.5%	46.7%	44.6%	38.6%
Have to make major sacrifices and cut back on basic necessities	19.3%	22.8%	21.0%	34.3%
Can barely take care of living expenses	19.9%	20.0%	18.5%	20.0%
Can take care of living expenses and have some money left over	14.7%	8.9%	13.9%	3.3%

Note: Percentages do not total 100. Refusals and "Don't know" responses have not been included in this table.

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 74

The study team also conducted a multivariate analysis to determine which factors relate significantly to the veterans' and surviving spouses' assessment of their current financial situation. The financial assessment was measured as a categorical variable taking on a value of 1 if the veteran (or the surviving spouse) can barely take care of living expenses, has to cut back on basic necessities, or has little money left after paying for expenses and a value of 0 if the parent can take care of living expenses, with money left over. Factors that significantly affect this measure of financial need are the following (See Appendix A for detail):

- ◆ A veteran in good health is less likely to have financial need than a veteran in poor health; a veteran who is White is less likely to have financial need than a veteran who is non-White; and a veteran with debt is more likely to have financial need than a veteran with no debt.
- ◆ A spouse in good health is less likely to have financial need than a spouse in poor health; a spouse who is White is less likely to have financial need than a spouse who is non-White; and a spouse with debt is more likely to have financial need than a spouse with no debt.

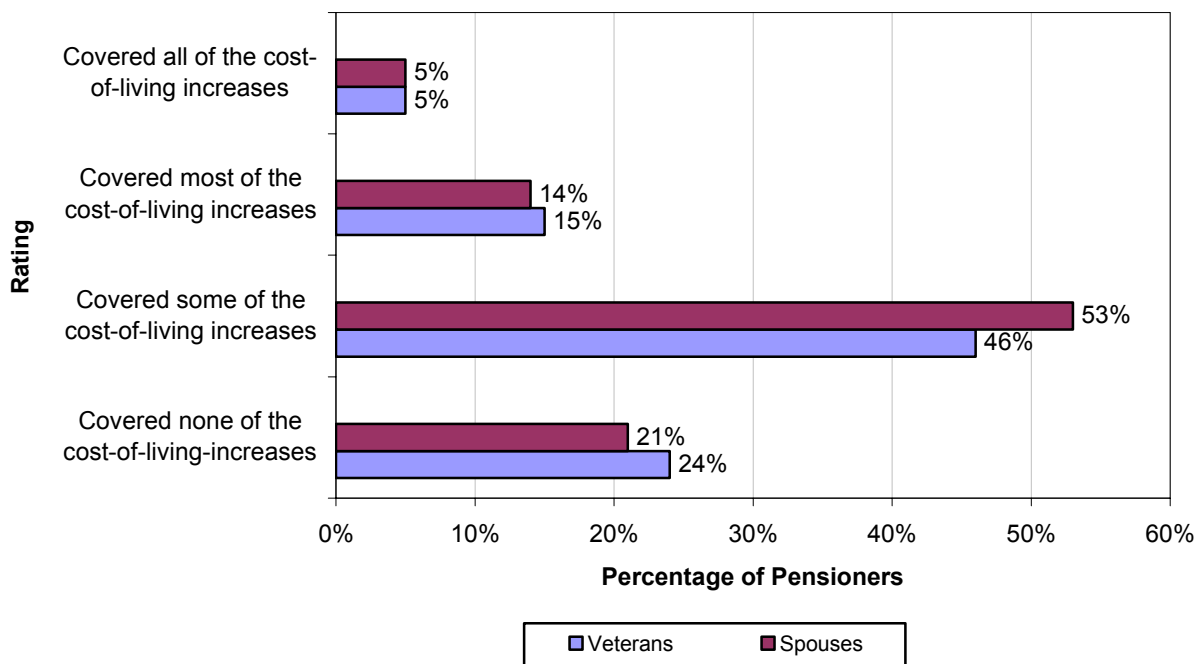
3. How well do VA cost-of-living increases cover the cost of living?

The VA Pension program provides for annual increases in the benefit amounts that are fully indexed according to annual cost-of-living increases. However, the perceptions of the respondents surveyed do not fully correspond to this. Respondents (535 veterans and 513 spouses) who began receiving benefits before 2000 were asked to rate how well the increases in VA benefits cover the increases in their cost-of-living expenses. Exhibit 8.3 presents the results. A larger percentage of these respondents (46% of veterans and 53% of spouses) say that their VA benefits cover some cost-of-living increases. However, a substantial percentage of the respondents indicate that increases in their

VA benefits do not cover any of their cost-of-living increases (25% of veterans and 21% of spouses). While a small percentage of the respondents report that increases in the VA benefit amounts cover most of their cost-of-living increases (15% of veterans and 14% of spouses), an even smaller percentage feel that increases in their VA benefits cover all of their cost-of-living increases (5% of veterans and 5% of spouses).

Understandably, respondents' ratings of how well VA cost-of-living increases cover their cost of living increases become less negative with the increasing award amount. This pattern of results is more evident among veterans than among spouses. Forty-two percent of veterans with the lowest benefit amounts (\$100 or less) indicate that increases in their VA benefit amounts cover none of their cost-of-living expenses, compared with 26 percent of those receiving \$100–\$400 in VA benefits and 20 percent of the veterans receiving \$400 or more. Conversely, 27 percent of veterans with the lowest benefit amounts (\$100 or less) indicate that increases in their VA benefits cover some of their cost-of-living expenses, compared with 47 percent of those receiving \$100–\$400 in VA benefits and 49 percent of the veterans receiving \$400 or more. The most vivid pattern of results is present for spouses indicating that increases in their VA benefits cover most of their cost-of-living expenses. Six percent of spouses with the lowest benefit amounts report that increases in the VA benefit amounts cover most cost-of-living increases, compared with 12 percent of spouses receiving \$100–\$400 and 24 percent of those with the largest award amounts (Appendices D and E, Table 21).

Exhibit 8.3. Impact of the Increases in the Amounts of VA Benefit Received on Covering the Cost-of-Living Increases of Pensioners



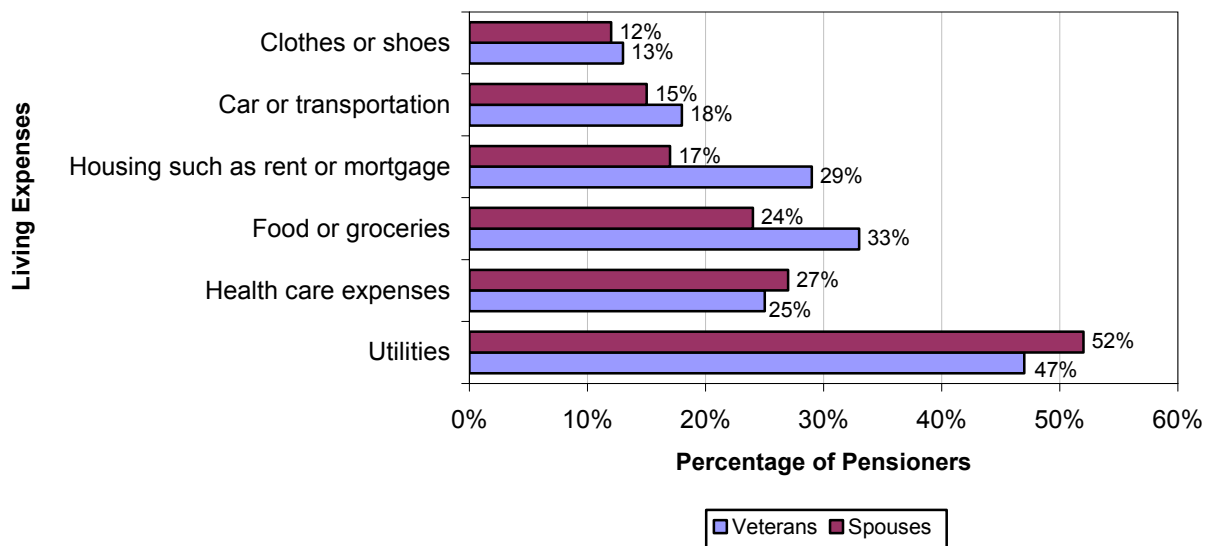
Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 21

B. ARE THE BENEFITS ADEQUATE?

I. How well does the VA pension benefit meet pensioners' living expenses?

Survey results indicate that many VA pension recipients struggle to pay for basic necessities. The benefits received through the VA Pension program are not sufficient to cover the primary living expenses of respondents, even as a supplement to other income sources. Approximately one-third of the respondents (36% of veterans and 30% of spouses) indicate that they experience either difficulty paying for or have not been able to pay for various living expenses during the past 12 months (Appendices D and E, Table 72.1.X). Two groups of the VA pensioners who are the most likely to report having difficulties paying for or inability to pay for their living expenses are respondents with children (61% of veterans and 51% of spouses) and the younger respondents (48% of veterans and 44% of spouses) (Appendices D and E, Table 72.1.X). Respondents who have problems paying for their living expenses cite utilities (47% of veterans and 52% of spouses), food (34% of veterans and 24% of spouses), housing (29% of veterans and 17% of spouses), and health care (25% of veterans and 27% of spouses) as the living expenses that they have the most difficulty covering (Exhibit 8.4).

Exhibit 8.4. Living Expenses Pensioners Had Difficulty Paying or Were Not Able to Pay for in the Past 12 Months, Based on Those With Difficulties Paying for Living Expenses



Note: Percentages are based on the pensioners who reported they had difficulties or were not able to meet living expenses in the last 12 months.

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 72.1

With respect to the distinction between having difficulties paying for living expenses and not being able to pay for them, 27 percent of the veterans and 22 percent of spouses report having difficulties paying for their living expenses, while 12 percent of veterans and 11 percent of spouses indicate that they could not pay for some of their living expenses (Appendices D and E, Table 72.1.a.x and Table 72.1.b.x). Among the respondents who either had difficulties paying for or were not able to pay for some living expenses, utilities are the most frequently cited living expense that respondents had

difficulty paying for (51% of veterans and 52% of spouses); health care expenses are the most frequently reported living expense that VA pension recipients could not pay for (30% of veterans and 38% of spouses) (Appendices D and E, Table 72.1.a and Table 72.1.b). Food and housing are among the most frequently cited living expenses that respondents either had difficulty paying for or were not able to pay for. A substantial percentage of the respondents report having difficulties paying for food (35% of veterans and 24% of spouses) and housing (28% of veterans and 18% of spouses), while a comparable percentage indicate not being able to pay for food (20% of veterans and 10% of spouses) and housing (20% of veterans and 9% of spouses) in the past 12 months (Appendices D and E, Table 72.1.a and Table 72.1.b).

VA pensioners' difficulties in meeting their everyday living expenses is further accentuated by the findings that among the respondents who report having difficulties paying for or not being able to pay for utilities (17% of veterans and 16% of spouses); 12 percent of veterans and 14 percent of spouses had their gas, electric, or oil services turned off; another 15 percent of veterans and 18 percent of spouses had their telephones disconnected because they could not pay their utility bills in the past 12 months (Appendices D and E, Table 72.1.1).

The study team also conducted a multivariate analysis to determine which factors relate significantly to veterans and surviving spouses having to cut back on living expenses in the past 12 months. The survey responses were measured as a categorical variable, taking on a value of 1 if respondents had to cut back on living expenses and a value of 0 if they did not. The following factors significantly affect this measure of financial need (See Appendix A for technical details):

- ◆ A veteran who is White is less likely to have to cut back on living expenses than a non-White veteran; older veterans are less likely to have to cut back on living expenses; a veteran who financially supports someone else is more likely to have to cut back on living expenses than a veteran who does not financially support someone else; and a veteran with debt is more likely to have to cut back on living expenses than a veteran with no debt.
- ◆ A spouse who is White is less likely to have to cut back on living expenses than a non-White spouse; older spouses are less likely to have to cut back on living expenses; a spouse in good health is less likely to have to cut back on living expenses than a spouse in poor health; a spouse who financially supports someone else is more likely to have to cut back on living expenses than a spouse who does not financially support someone else; and a spouse with debt is more likely to have to cut back on living expenses than a spouse with no debt.

2. What living expenses would pensioners pay for if they had some extra money?

Another measure of the VA pension recipients' difficulty in covering everyday living expenses involves determining which living expenses respondents would pay for if they had some extra money. Exhibit 8.5 presents the living expenses veterans and spouses would pay for if they had extra money. The living expenses respondents would pay for if they had more money include basic necessities and catching up on past due payments to stay financially solvent. The most frequently cited living expense that pensioners would pay for if more money were available is food or groceries (34% of veterans and 31% of spouses), followed by the purchases of clothes and shoes (27% of veterans and 35% of spouses), basic homes repairs (21% of veterans and 24% of spouses), and payments of utility bills (17% of veterans and 24% of spouses). Pensioners with children are more likely than other pensioners to report that they would pay for their various living expenses if the money were available. Among all groups of respondents, those with children report the highest percentage of making food purchases

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(44% of veterans and 39% of spouses), buying clothes or shoes (40% of veterans and 37% of spouses), paying utility bills (24% of veterans and 30% of spouses), and covering other types of living expenses if they had some extra money.

A small percentage of the respondents (6% of veterans and 8% of spouses) report that they would save money for future living expenses (Appendices D and E, Table 73). This finding further points to the insolvent financial situation of the VA pensioners, whereby saving money is a luxury that many simply cannot afford. Many respondents experience difficulties paying for their everyday living expenses and, as a result, do not even consider saving money as an option, even if they had some additional financial resources.

Exhibit 8.5. The Top Six Living Expenses Pensioners Would Pay for if They Had Extra Money

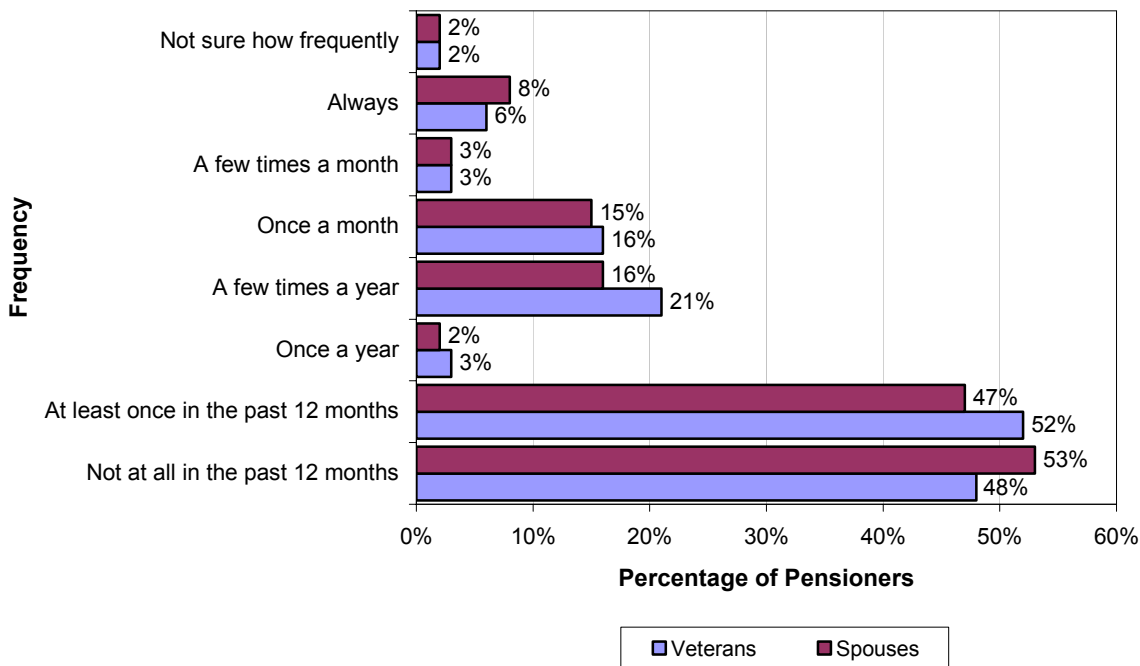
Living Expenses That Pensioners Would Pay For if They Got Some Extra Money	Veterans		Spouses	
	Overall Percentage	Percentage with Children	Overall Percentage	Percentage with Children
Buy food or groceries	34.4%	43.5%	31.0%	39.1%
Buy clothes or shoes	27.2%	39.7%	35.1%	36.5%
Make home repairs or improvements	20.7%	19.7%	23.7%	27.2%
Pay utility bills or catch up on utility bills	17.4%	24.3%	24.0%	30.3%
Pay bills—credit cards, loans, or debts	15.2%	24.0%	17.1%	29.0%
Get needed health care services	13.3%	15.4%	18.0%	22.3%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 73

3. Do pensioners run out of money and have to cut back on expenses?

VA pensioners' limited or nonexistent financial resources are further reflected in how frequently respondents run out of money and have to cut back on their living expenses. In the past 12 months, approximately half of the respondents (52% of veterans and 47% of spouses) ran out of money and had to cut back on paying their living expenses at least once (Exhibit 8.6.a). Most respondents ran out of money and had to cut back on living expenses either a few times a year (21% of veterans and 16% of spouses) or once a month (16% of veterans and 15% of spouses).

Exhibit 8.6.a. Frequency with Which Pensioners Run Out of Money and Have to Cut Back on Living Expenses



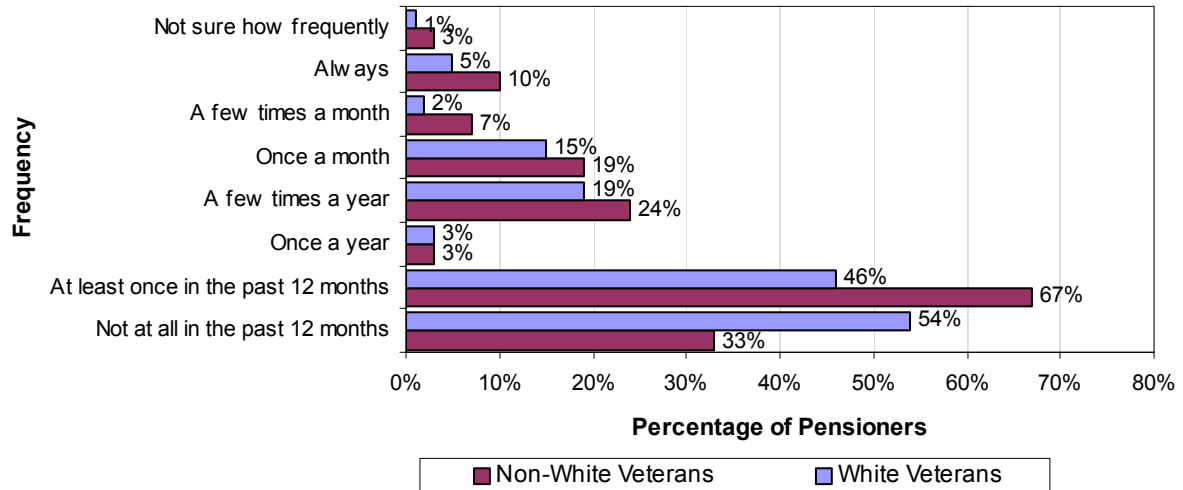
Source: Survey of Veteran and Spouses Pensioners, Appendices D and E, Table 74.1.a

Respondents with children and those younger than 65 years of age are more likely than any other group of respondents to report running out of money and having to cut back on their living expenses in the past 12 months (76% of veterans with children, 69% of spouses with children, 67% of the younger veterans, and 56% of the younger spouses) (Appendices D and E, Table 74.1.a). VA pensioners with children and younger respondents also have the highest percentage who report always running out of money in the past 12 months (13% of veterans with children, 11% of spouses with children, 9% of the younger veterans, and 14% of the younger spouses).

Non-White VA pension recipients report a substantially higher frequency of running out of money and having to cut back on their living expenses than White pensioners do. In the past 12 months, less than half of the White veterans (46%) ran out of money and had to cut back on paying for their living expenses at least once, compared with 67 percent of non-White veterans (Exhibits 8.6.b). Non-White veterans are also more likely than White veterans to run out of money and have to cut back on living expenses a few times a year (24% of non-White veterans and 19% of White veterans), once a month (19% of non-White veterans and 15% of White veterans), a few times a month (7% of non-White veterans and 2% of White veterans), or always (10% of non-White veterans and 5% of White veterans).

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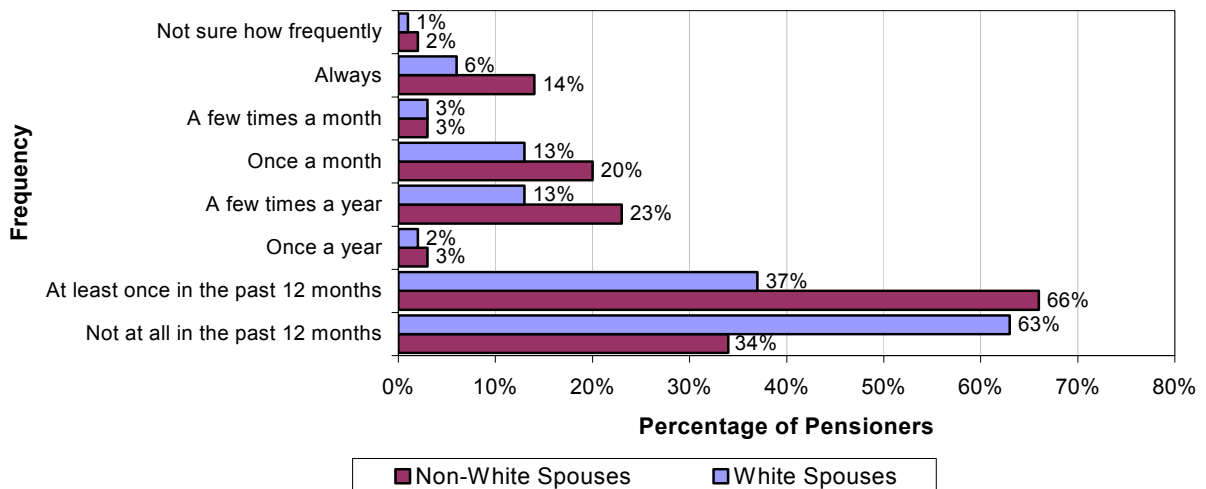
Exhibit 8.6.b. Frequency with Which Veterans Run Out of Money and Have to Cut Back on Their Living Expenses, by Race



Source: Survey of Veteran and Spouse Pensioners

The difference between White and non-White respondents' reports of the frequency of running out of money and having to cut back paying for living expenses is even more pronounced among spouses. In the past 12 months, more than a third of the White spouses (37%) ran out of money and had to cut back on paying for their living expenses at least once, compared with 66 percent of non-White spouses (Exhibits 8.6.c). Non-White spouses are also more likely than White spouses to report running out of money and having to cut back on living expenses a few times a year (23% of non-White spouses and 13% of White spouses), once a month (20% of non-White spouses and 13% of White spouses), or always (14% of non-White spouses and 6% of White spouses).

Exhibit 8.6.c. Frequency With Which Spouses Run Out of Money and Have to Cut Back on Their Living Expenses, by Race



Source: Survey of Veteran and Spouse Pensioners

4. Is pensioners' housing adequate?

Survey respondents were asked to assess several aspects of their current housing conditions. Virtually all of the respondents agree that they are satisfied with where they currently live (91% of veterans and 95% of spouses) and report that their current housing is in decent condition (95% of veterans and 95% of spouses), has a functional kitchen (96% of veterans and 96% of spouses), a working bath (95% of veterans and 97% of spouses), enough space for all family members (92% of veterans and 96% of spouses), and is located in a safe neighborhood (94% of veterans and 96% of spouses) (Exhibit 8.7).

Exhibit 8.7. Pensioners' Assessment of Their Current Housing Situation

Quality of Current Housing Situation	Percentage of Veterans Who Agree	Percentage of Veterans Who Disagree	Percentage of Spouses Who Agree	Percentage of Spouses Who Disagree
Overall satisfaction with the place where they live	91%	8%	95%	4%
Living in a place with complete and working bath facilities	95%	4%	97%	3%
Living in a place with complete and working kitchen facilities	96%	3%	96%	3%
Living in a place that is safe, clean, and in decent condition	95%	4%	95%	4%
Living in a place that has enough space for the whole family	92%	7%	96%	4%
Living in a safe and clean neighborhood	94%	5%	96%	4%

Note: Percentages do not total 100. "Don't know" and "Not sure" responses are not included in this table.

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 52

These overwhelmingly positive assessments of the housing situation are somewhat surprising, given that 21 percent of veterans and 24 percent of spouses report that they would make home repairs or improvements if the money was available (Exhibit 8.5). It seems that most respondents have a great degree of pride in their living situation; despite acknowledging the need for home improvements, they do not view their housing as being in less than decent condition.

5. Do pensioners have unmet health care needs?

Approximately one-fourth of the pensioners (26% of veterans and 23% of spouses) report that they are not currently getting some needed health care services. The most commonly reported health care needs that are not received are dental care (15% of veterans and 11% of spouses), eyeglasses or eye exams (8% of veterans and 7% of spouses), prescription medications (2% of veterans and 5% of spouses), and doctor visits (2% of veterans and 5% of spouses) (Exhibit 8.8). Among the sampling groups, respondents with children and those younger than 65 years of age are most likely to report having unmet health care needs (41% of veterans with children, 39% of the younger veterans, 42% of spouses with children, and 38% of the younger spouses) (Appendices D and E, Table 41).

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Exhibit 8.8. Six Most Frequent Health Care Services Needed but Not Received by Pensioners

Type of Health Care Service Needed	Percentage of Veterans	Percentage of Spouses
Dental care	14.8%	11.1%
Eye exam or eyeglasses	7.8%	7.2%
Hearing aids	2.5%	2.0%
Prescription medications	2.2%	4.8%
Doctor visits	1.9%	4.8%
Home health aide	1.6%	2.6%
Visiting nurse	1.2%	1.2%
Laboratory testing or monitoring	0.1%	1.8%
Summary		
Some Unmet Health Care Needs	26.0%	23.3%
No Unmet Health Care Needs	74.0%	76.7%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 41

The study team also conducted a multivariate analysis to determine which factors relate significantly to unmet health care needs. Unmet health care need was measured as a categorical variable with a value of 1 if the veteran (or the surviving spouse) has unmet health care needs and a value of 0 otherwise. Significant factors that affect this measure of health care need are the following (See Appendix A for details):

- ◆ A veteran with debt is more likely to have unmet health care needs than a veteran with no debt; a veteran who is financially supported by someone else is more likely to have unmet health care needs than a veteran who is not financially supported by someone else; and older veterans are less likely to have unmet health care needs.
- ◆ A spouse with debt is more likely to have unmet health care needs than a spouse with no debt; a spouse with at least a high school education is more likely to have unmet health needs than a spouse with no high school degree; spouses with higher VA benefits are more likely to have unmet health care needs; a White spouse is less likely to have unmet health care needs than a non-White spouse; and older spouses are less likely to have unmet health care needs.

C. WHAT STRATEGIES DO PENSIONERS USE TO MAKE ENDS MEET?

The survey reveals that to cover their living expenses most VA pensioners have to use various strategies of prioritizing living expenses and cutting them to the bare minimum. These pensioners must choose to pay for only their most immediate needs while postponing or ignoring other living expenses. These strategies involve having to live on less food or lower-quality food, postponing health care, cutting back on the housing expenses, curtailing travel, borrowing from friends and family, and using credit cards to pay for basic expenses. More than three-quarters of the respondents (80% of veterans and 78% of spouses) report using some strategies to make ends meet because they do not have enough money to cover their living expenses (Appendices D and E, Table 75d). Larger percentages of non-Whites use various strategies to make ends meet. Overall, 86 percent of non-

White veterans and 84 percent of non-White spouses report using money-saving strategies in the past 12 months because they did not have money for their living expenses, compared with 78 percent of White veterans and 75 percent of White spouses.

The highest percentage of respondents acknowledged using food-related strategies (63% of veterans and 63% of spouses), followed by general strategies (61% of veterans and 56% of spouses) such as borrowing money and cutting back on transportation and clothing, housing-related strategies (47% of veterans and 43% of spouses), and health care postponement strategies (39% of veterans and 41% of spouses) (Appendices D and E, Tables 75a, 75b, 75c, and 75d).

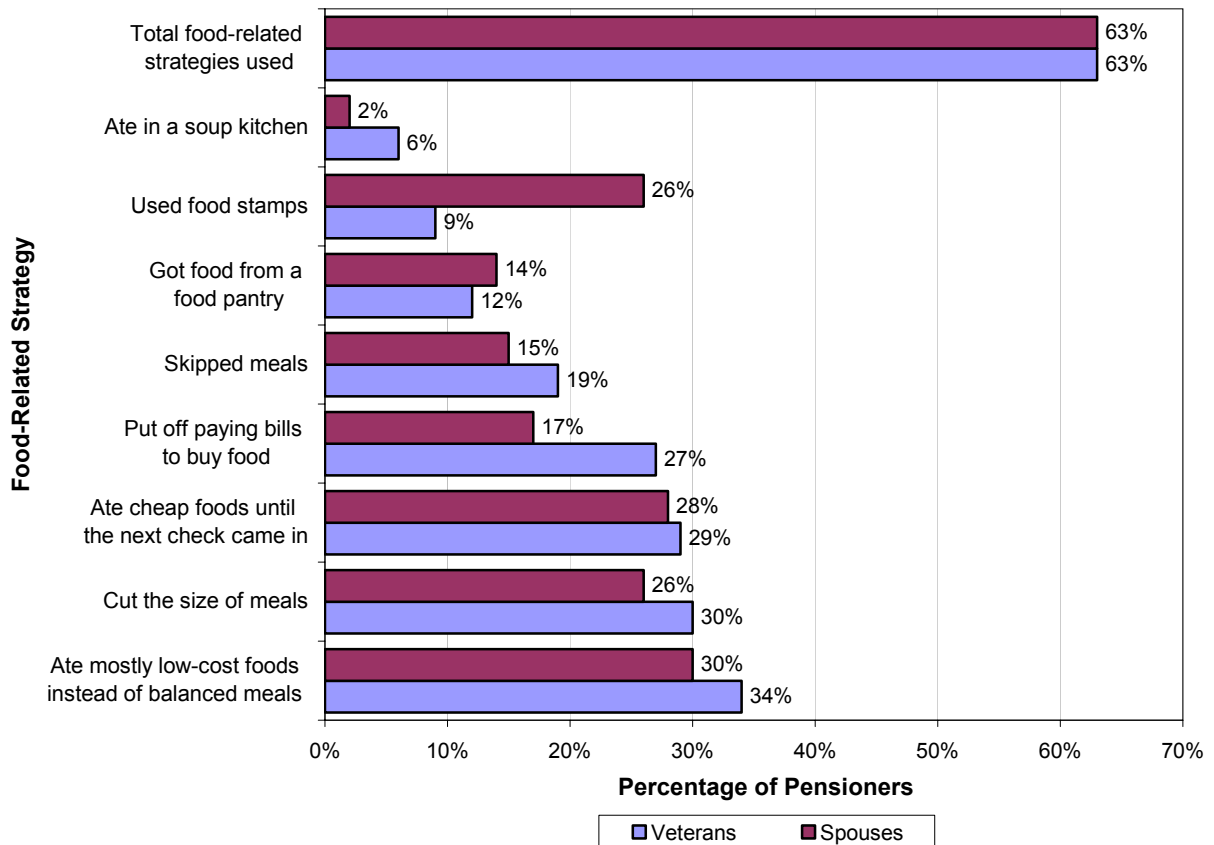
I. Do pensioners use food-related strategies to make ends meet?

During the past 12 months, 63 percent of veterans and the same percentage of spouses had to use strategies to cut back on the amount of food they consumed, buy low-quality food, or find other sources of obtaining food without paying, simply because they do not have enough money. Exhibit 8.9.a illustrates the kinds of food-related strategies the veterans and spouses used. The most frequently used food-related strategies were eating low-cost foods instead of balanced meals (34% of veterans and 30% of spouses), cutting the size of the meals (30% of veterans and 26% of spouses), eating cheap foods until the next check came (29% of veterans and 28% of spouses), and putting off paying bills to buy food (27% of veterans and 17% of spouses). Furthermore, more than one-quarter of the spouses (26%) report using food stamps. Almost 20 percent of the veterans and 15 percent of the spouses had to skip meals because they did not have enough money for food.

Respondents with children and those younger than 65 years of age are more likely than any other group to report using food-related strategies because they do not have enough money (81% of veterans with children, 76% of the younger veterans, 75% of spouses with children, and 79% of the younger spouses), especially food-related strategies of skipping meals (34% of veterans with children, 33% of the younger veterans, 22% of spouses with children, and 24% of the younger spouses), putting off bills to buy food (51% of veterans with children, 34% of the younger veterans, 40% of spouses with children, and 25% of the younger spouses), and eating low-cost foods instead of balanced meals (45% of veterans with children, 45% of the younger veterans, 41% of spouses with children, and 43% of the younger spouses) (Appendices D and E, Table 75a).

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Exhibit 8.9.a. Percentage of Pensioners Who, in the Past 12 Months, Used Food-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money



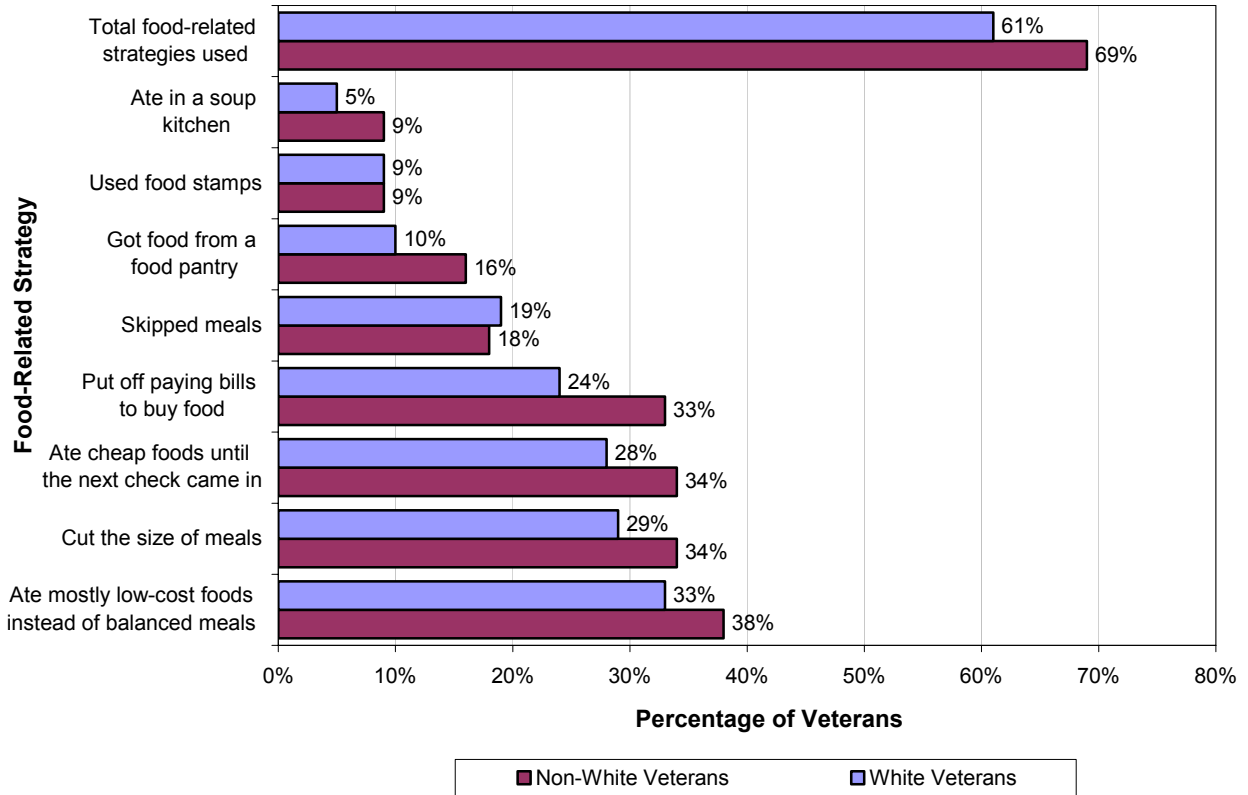
Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75a

Higher percentages of non-White than White pensioners report having used food-related money-saving strategies in the past 12 months. Sixty-one percent of non-White pensioners used food-related strategies, compared with 69 percent of non-White pensioners (Exhibit 8.9.b). Non-White pensioners are more likely than White pensioners to eat low-cost foods instead of balanced meals (38% of non-White pensioners and 33% of White pensioners), cut the size of meals (34% of non-White pensioners and 29% of White pensioners), eat cheap food until the next check (34% of non-White pensioners and 28% of White pensioners), put off paying bills to buy food (33% of non-White pensioners and 24% of White pensioners), get food from a pantry (16% of non-White pensioners and 10% of White pensioners), and eat in a soup kitchen (9% of non-White pensioners and 5% of White pensioners).

The difference between White and non-White respondents' use of food-related strategies is even greater among spouses than among veterans. Overall, 59 percent of White spouses report using food-related money-saving strategies in the past 12 months, compared with 72 percent of non-White spouses (Exhibit 8.9.c). Non-White spouses are more likely than White spouses to cut the size of meals (29% of non-White spouses and 24% of White spouses), eat cheap food until the next check (34% of non-White spouses and 25% of White spouses), put off paying bills to buy food (27% of non-White spouses and 13% of White spouses), get food from a pantry (17% of non-White spouses and 12% of White spouses), eat in a soup kitchen (5% of non-White spouses and 1% of White spouses),

and use food stamps (29% of non-White spouses and 24% of White spouses). Non-White spouses are also slightly more likely than White spouses to eat low-cost foods instead of balanced meals (31% of non-White spouses and 29% of White spouses) and skip meals (16% of non-White spouses and 14% of White spouses).

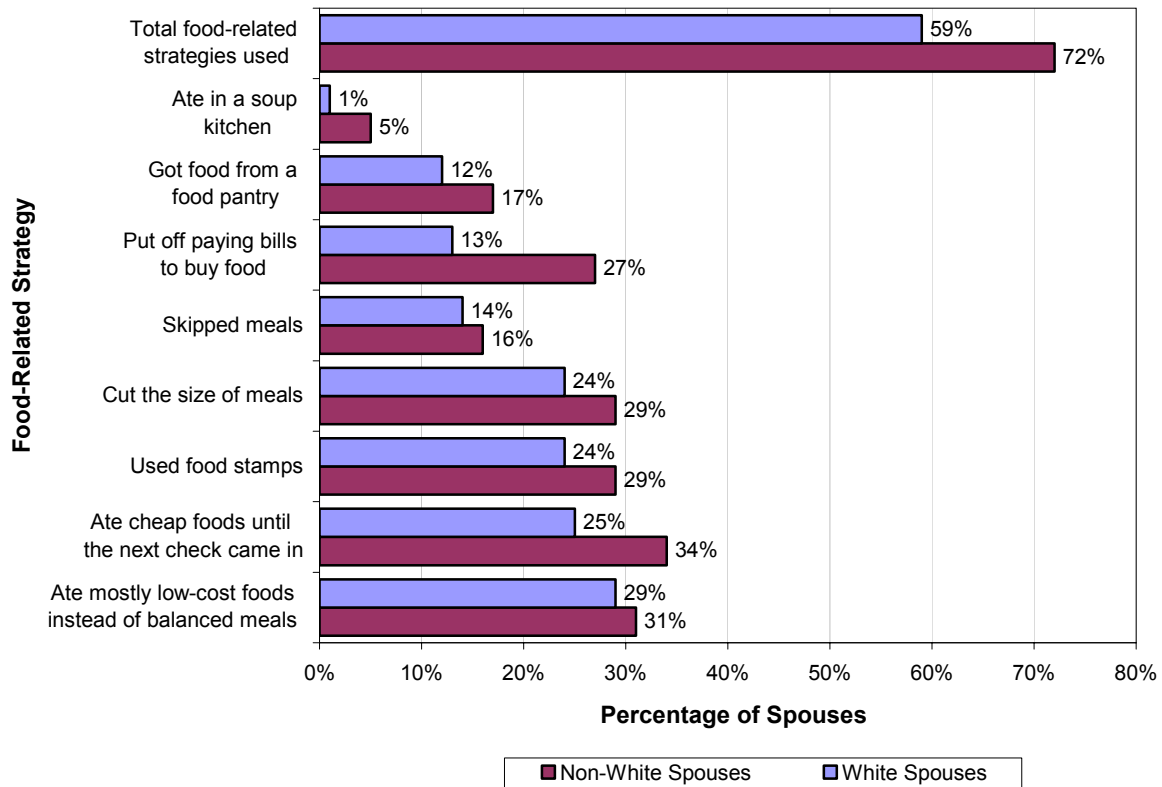
Exhibit 8.9.b. Percentage of Veterans Who, in the Past 12 Months, Used Food-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money, by Race



Source: Survey of Veteran and Spouse Pensioners

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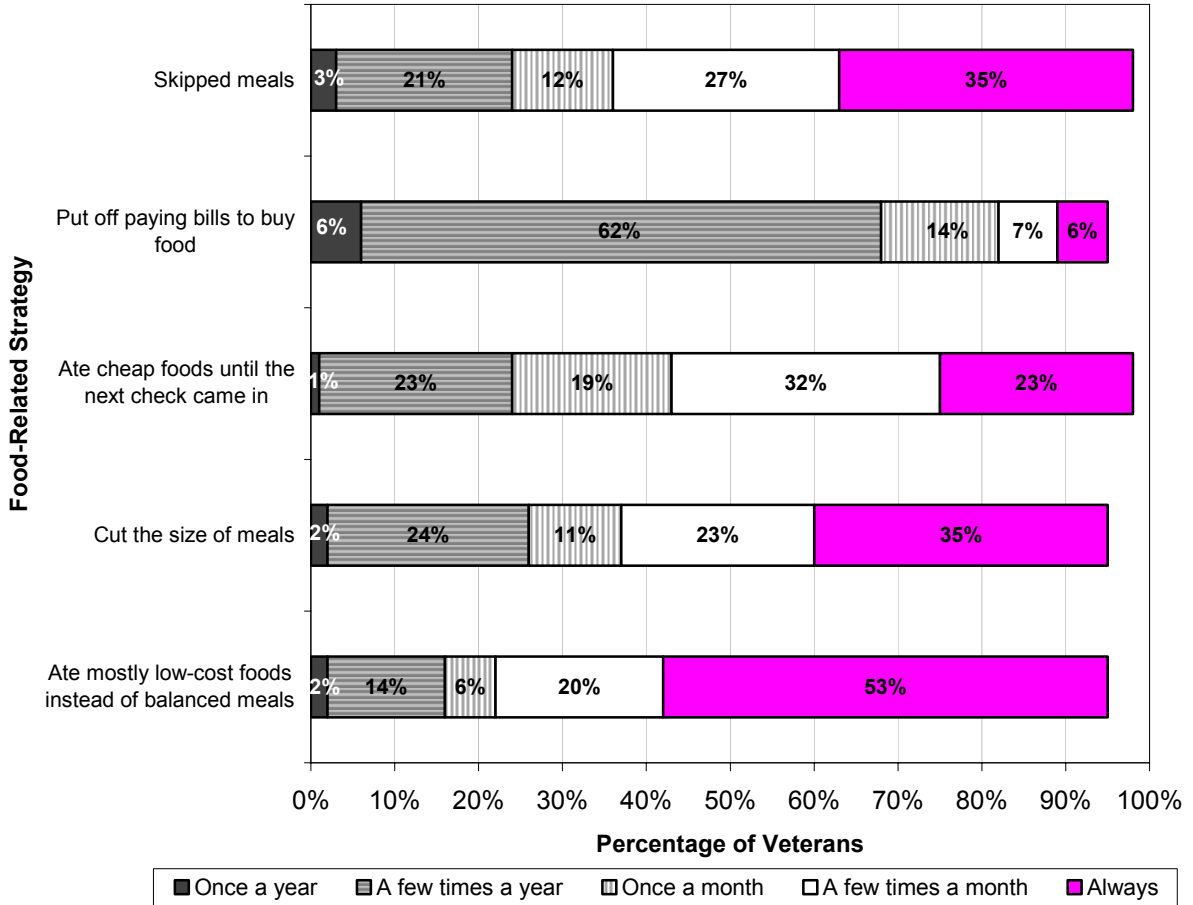
Exhibit 8.9.c. Percentage of Spouses Who, in the Past 12 Months, Used Food-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money, by Race



Source: Survey of Veteran and Spouse Pensioners

Respondents who used food-related strategies also report the frequency with which they had to use these strategies. Most respondents who used these strategies report using them at least monthly by eating low-cost foods instead of balanced meals (79% of veterans and 79% of spouses), cutting the size of meals (69% of veterans and 68% of spouses), skipping meals (74% of veterans and 62% of spouses), and eating cheap foods until the next check came in (74% of veterans and 71% of spouses) (Exhibits 8.10.a and 8.10.b). A substantial percentage of respondents who used food-related strategies report always cutting the size of meals (35% of veterans and 32% of spouses) and skipping meals (35% of veterans and 24% of spouses).

Exhibit 8.10.a. The Frequency with Which the Most Noted Food-Related Strategies Were Used by 63 Percent of Veterans During the Past 12 Months

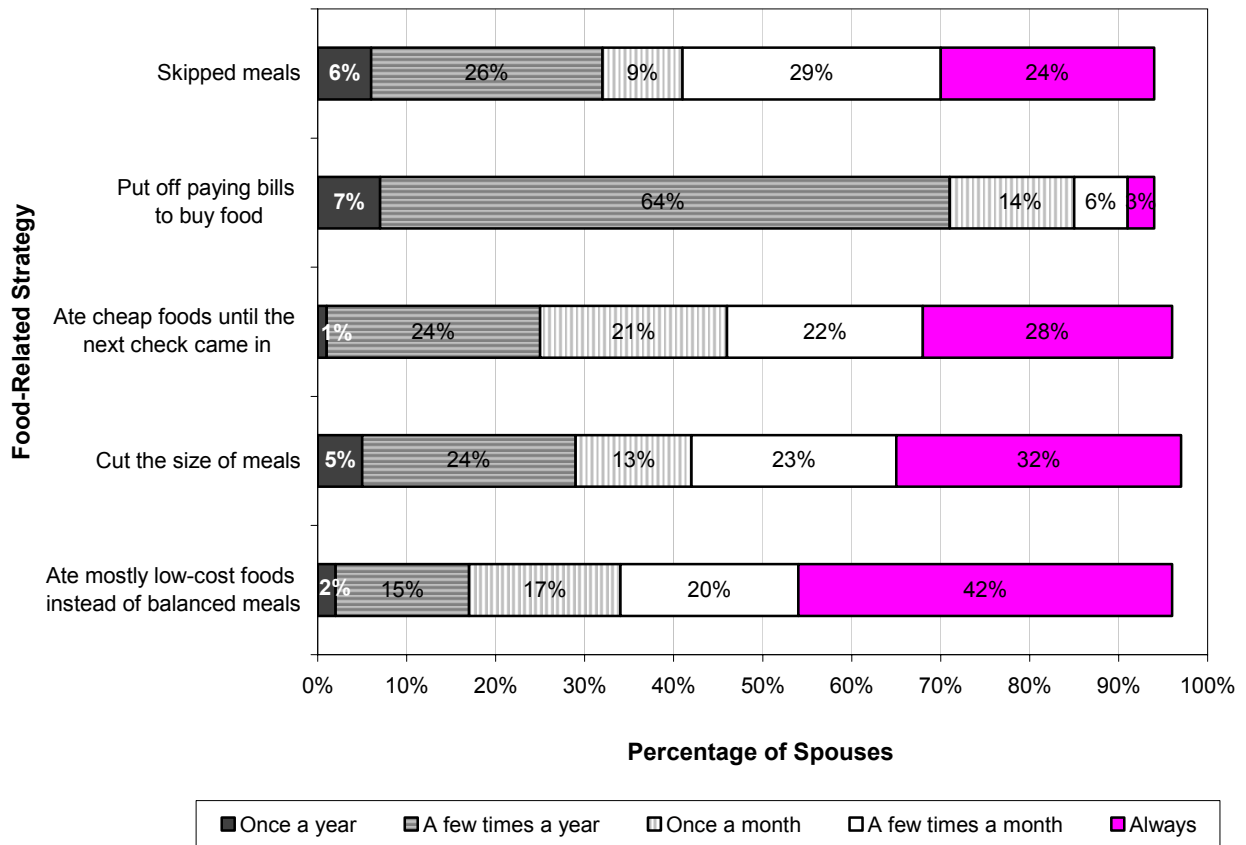


Note: The responses of "Don't know," "None of the above," and "Refused" are not included. Percentages are of those 63% of veterans who use each food strategy (Exhibit 8.9a), not all veterans.

Source: Survey of Veteran Pensioners, Appendix D, Table 75ax

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Exhibit 8.10.b. The Frequency with Which the Most Noted Food-Related Strategies Were Used by 59 Percent of Spouses During the Past 12 Months



Note: The responses of "Don't know", "None of the above", and "Refused" are not included. Percentages are of those 59 percent of spouses who use each food strategy (Exhibit 8.9b), not all spouses.

Source: Survey of Spouse Pensioners, Appendix E, Table 75ax

Eating low-cost foods instead of a balanced meal is used by higher percentages of respondents (34% of veterans and 30% of spouses) and with a greater frequency than any other food-related strategy. As a result, many respondents using this strategy are not consuming foods that provide a balanced diet, including fish, poultry, or protein foods (13% of veterans and 12% of spouses), vegetables (12% of veterans and 11% of spouses), and fruits (11% of veterans and spouses) (Exhibit 8.11). Among the respondents eating low-cost foods instead of a balanced meal, more respondents with children and younger than 65 years of age report not getting protein foods (20% of veterans with children, 20% of the younger veterans, 21% of spouses with children, and 21% of the younger spouses), vegetables (23% of veterans with children, 19% of the younger veterans, 18% of spouses with children, and 19% of the younger spouses), and fruits (22% of veterans with children, 19% of the younger veterans, 18% of spouses with children, and 19% of the younger spouses) than other groups of respondents (Appendices D and E, Table 75.7x).

Exhibit. 8.11. Percentage of Pensioners Who Did Not Get Various Foods for a Balanced Diet Because They Ate Mostly Low-Cost Foods to Make Ends Meet

Foods That Pensioners Are Not Getting for a Balanced Diet	Percentage of Veterans	Percentage of Spouses
Meat, fish, poultry, beans, or protein foods	13.4%	12.2%
Vegetables	12.1%	10.6%
Fruit	11.4%	11.1%
Dairy products	3.5%	4.2%
Grains—cereals, bread, rice, pasta	2.2%	3.1%
Juices	0.9%	1.8%
Other foods	1.2%	1.7%
Total Who Ate Low-Cost Foods Instead of a Balanced Diet	34.0%	29.7%

Note: Percentages are calculated for all veterans and spouses, not just those eating low-cost foods.

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75.7.x

Eating cheap foods until the next check comes is the second most prevalent food-related strategy used by respondents. Exhibit 8.12 depicts the kinds of food veterans and spouses ate when they were waiting for their next check to come. The most frequently reported cheap foods consumed by the respondents who run out of money are beans (10% of veterans and 8% of spouses), noodles or pasta (8% of veterans and 7% of spouses), and potatoes (7% of veterans and 7% of spouses). More pensioners with children and more younger pensioners follow these practices. Veterans with children rely more on pasta (18%) and rice (15%) than other foods and more frequently than all veterans. Spouse pensioners with children consume pasta (17%) and beans (15%) when they run out of money more often than other spouses do, and more frequently than other foods.

Exhibit 8.12. Percentage of Pensioners Who Ate Various Cheap Foods Until the Next Check Came to Make Ends Meet

Foods That Pensioners Ate When They Did Not Have Money To Buy Food	Percentage of Veterans Who Ate Cheap Foods	Percentage of Spouses Who Ate Cheap Foods
Beans	9.5%	7.9%
Noodles or pasta	7.7%	7.4%
Potatoes	7.4%	6.8%
Fruits or vegetables other than beans	6.6%	6.2%
Canned or dry soup mixes	6.4%	7.6%
Fast food	6.2%	4.8%
Rice	5.9%	6.8%
Total Who Ate Cheap Foods	29.2%	28.2%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75.8x

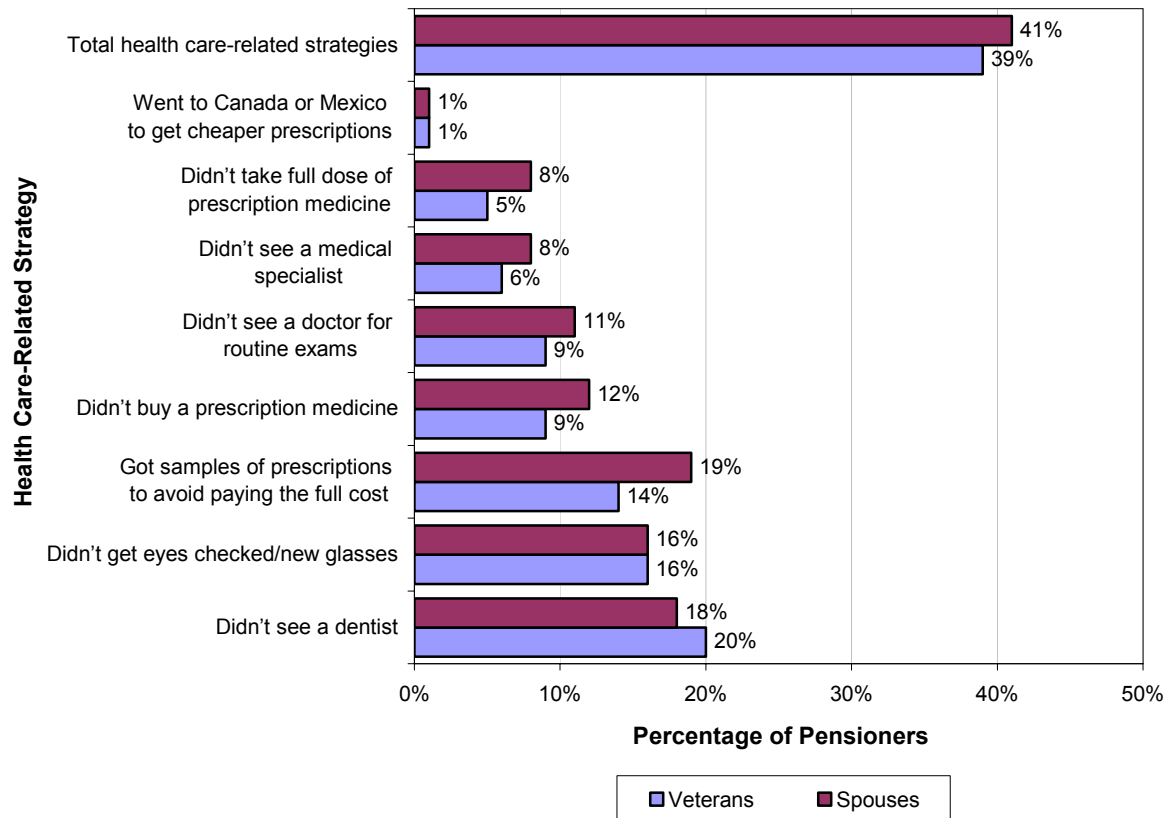
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2. Do pensioners use health care-related strategies to make ends meet?

The lack of financial resources also translates into the need for pensioners to cut back or avoid using basic preventative and routine health care services to save money. Overall, 39 percent of veterans and 41 percent of spouses use strategies to cut back on their health care costs because they do not have enough money to cover living expenses (Exhibit 8.13). The same percentage of White and non-White veterans use health care strategies; more non-White spouses (46%) use health care strategies than White spouses (38%). The most frequently cited health care strategies are: not going to the dentist (20% of veterans and 18% of spouses), not getting eyeglasses or eye exams (16% of veterans and 16% of spouses), getting samples of prescription medications to avoid paying the full price (15% of veterans and 19% of spouses), not buying prescription medications (9% of veterans and 12% of spouses), and refraining from doctor visits (9% of veterans and 11% of spouses). Almost identical proportions of White and non-White veterans use each of these strategies. However, non-White spouses tend not to get dental care (21%), not to buy prescription medicine (13%), and not to take the full dose of prescription medicines (10%) more often than other pensioners.

As with the food-related strategies, higher percentages of respondents with children and younger than 65 years of age report using health care-related money-saving strategies (57% of veterans with children, 49% of the youngest veterans, 58% of spouses with children, and 61% of the youngest spouses) than any other group of respondents (Appendices D and E, Table 75b). Respondents with children and those younger than 65 years of age are more likely than other respondents to report refraining from doctor visits (18% of veterans with children, 14% of the younger veterans, 25% of spouses with children, and 29% of the younger spouses), not getting eyeglasses or eye exams (24% of veterans with children, 20% of the younger veterans, 28% of spouses with children, and 28% of the younger spouses), and not going to the dentist (38% of veterans with children, 30% of the younger veterans, 30% of spouses with children, and 32% of the younger spouses).

Exhibit 8.13. Percentage of Pensioners Who, in the Past 12 Months, Used Health Care-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money



Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75b

3. Do pensioners use housing-related strategies to make ends meet?

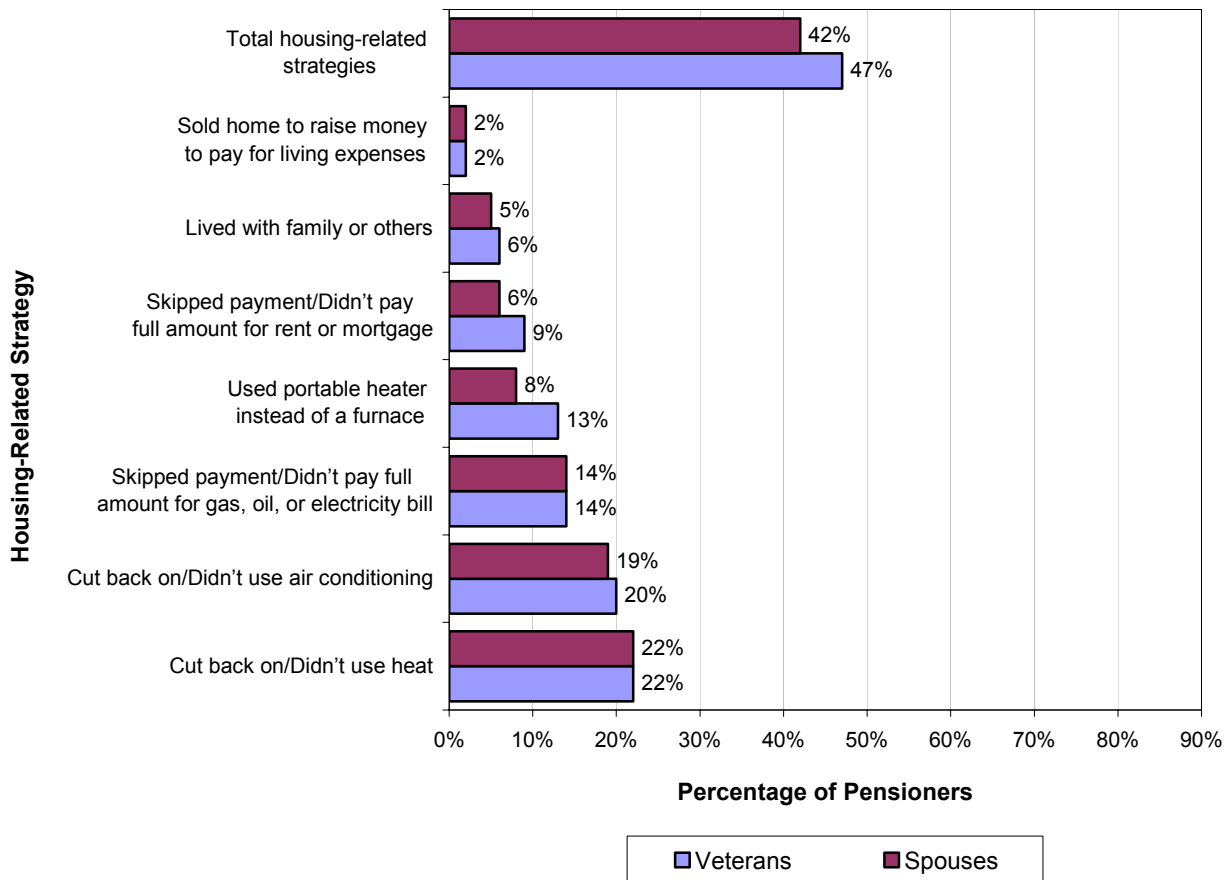
The difficulties of VA pensioners to meet their living expenses are further reflected in their use of housing-related strategies to make ends meet. In the past 12 months, 47 percent of veterans and 43 percent of spouses report using strategies that minimize or eliminate costs associated with maintaining a residence because they did not have enough money for their living expenses (Exhibits 8.14). The most frequently cited strategies for saving money on housing-related expenses are cutting back on heat (22% of veterans and 22% of spouses), not using air conditioning (20% of veterans and 19% of spouses), skipping a payment for a utility bill (14% of veterans and 15% of spouses), and using a portable heater instead of a furnace (13% of veterans and 8% of spouses).

Housing-related strategies are used by more than one-half of the non-White pensioners, pensioners with children, and those younger than 65 years of age (56% of non-White veterans, 68% of veterans with children, and 56% of the younger veterans; 54% of non-White spouses, 58% of spouses with children, and 60% of the younger spouses). Respondents with children and those younger than 65 years of age are especially likely to skip rent or mortgage payment (23% of veterans with children, 14% of the younger veterans, 18% of spouses with children, 14% of the younger spouses), cut back on using heat (34% of veterans with children, 29% of the younger veterans, 26% of spouses with children, and 32% of the younger spouses), and skip utility payment (38% of veterans with children, 20% of the

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younger veterans, 36% of spouses with children, and 22% of the younger spouses) (Appendices D and E, Table 75c). Non-White pensioners are more likely to cut back on heating and electric bills and skip paying a utility bill.

Exhibit 8.14. Percentage of Pensioners Who, in the Past 12 Months, Used Housing-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money



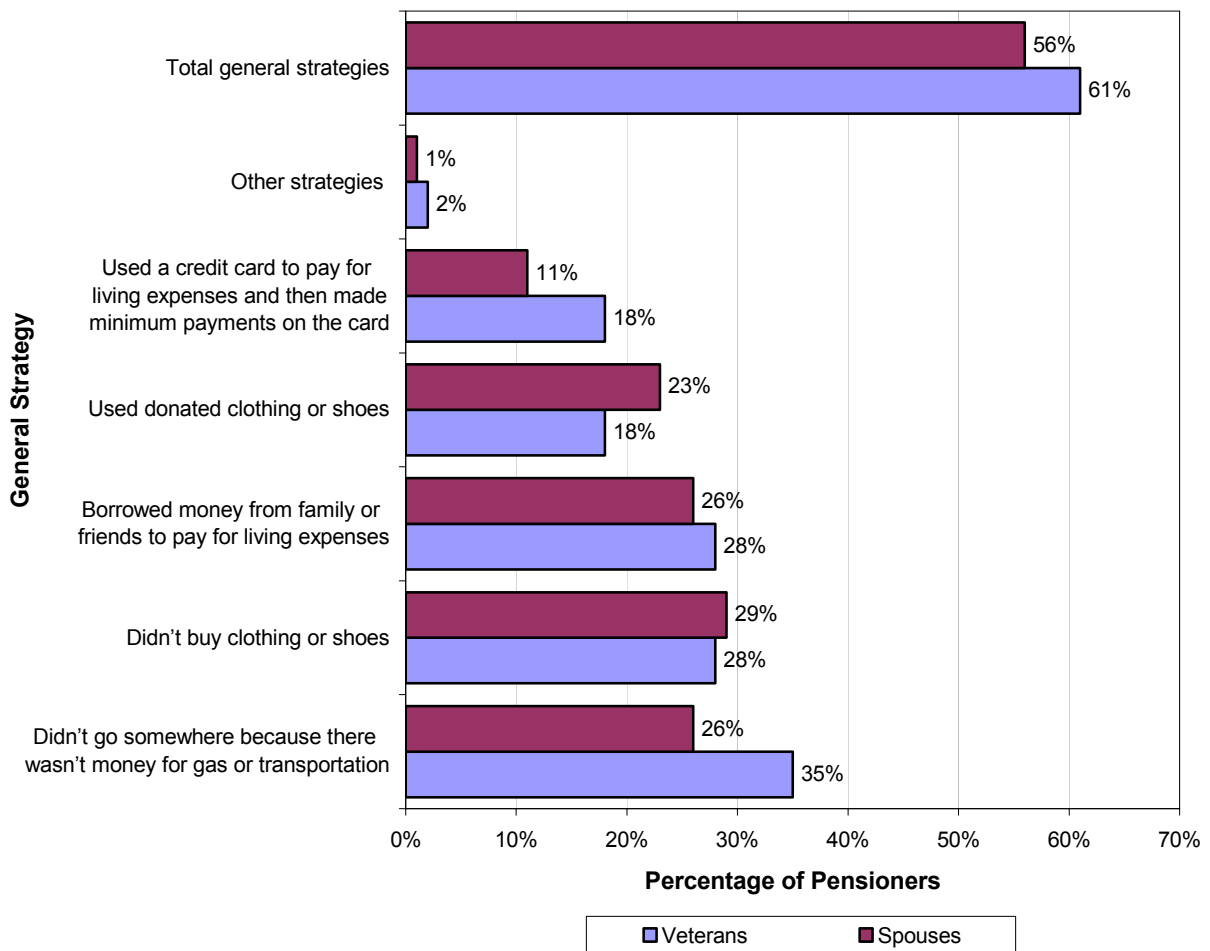
Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75c

4. Do pensioners use other general strategies to make ends meet?

In addition to food-, health care-, and housing-related strategies, most VA pension recipients use various general strategies to make ends meet (61% of veterans and 56% of spouses) (Exhibit 8.15). The most frequently cited general strategies used by respondents to save money are to not use transportation (35% of veterans and 27% of spouses), not buy clothes or shoes (28% of veterans and 29% of spouses), borrow money from friends or family members (28% of veterans and 26% of spouses), use donated clothing or shoes (18% of veterans and 23% of spouses), and incur credit card debt to cover living expenses (18% of veterans and 11% of spouses). An additional frequently reported money-saving strategy that does not involve basic living expenses is to cut back on making long-distance telephone calls (37% of veterans and 35% of spouses) (Appendices D and E, Table 75d).

As with all other types of money-saving strategies, respondents with children and those younger than 65 year of age are the groups in most financial need—the highest percentage of them report using general cost-cutting strategies (83% of veterans with children, 69% of the younger veterans, 73% of spouses with children, and 76% of the younger spouses) (Appendices D and E, Table 75d). Respondents with children and those younger than 65 years of age are more likely than other groups to borrow money from friends or family (50% of veterans with children, 43% of the younger veterans, 40% of spouses with children, and 43% of the younger spouses), avoid using transportation (52% of veterans with children, 45% of the younger veterans, 39% of spouses with children, and 41% of the younger spouses), and refrain from buying clothing or shoes (48% of veterans with children, 39% of the younger veterans, 43% of spouses with children, and 42% of the younger spouses).

Exhibit 8.15. Percentage of Pensioners Who, in the Past 12 Months, Used General Strategies to Make Ends Meet Because They Did Not Have Enough Money



Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75d

About 20 percent more non-White VA pension recipients report using general strategies to make ends meet than White respondents. Overall, 57 percent of White veterans use various general strategies to save money on living expenses, compared with 71 percent of non-White veterans. Non-White veterans are more likely than White veterans to borrow money from friends or family (37% of

non-White veterans and 24% of White veterans) and use donated clothing or shoes (22% of non-White veterans and 16% of White veterans), while White veterans are more likely than non-White veterans to incur credit card debt to pay for living expenses (20% of White veterans and 13% of non-White veterans) (Survey of Veteran and Spouse Pensioners).

The most frequently cited general strategies to make ends meet are used by VA pensioners at least a few times a year. Among the respondents who have used general strategies, the strategies that are used at least a few times a year include not using transportation (90% of veterans and 86% of spouses), incurring credit card debt to cover living expenses (86% of veterans and 88% of spouses), borrowing money from friends or family (79% of veterans and 78% of spouses), avoid buying clothes or shoes (79% of veterans and 78% of spouses), and using donated clothing (71% of veterans and 73% of spouses). The nonbasic living expenses strategy of cutting down on making long-distance telephone calls is also used frequently—of those using this strategy, 73 percent of the veterans (Appendix D, Table 75f) and 68 percent of spouses (Appendix E, Table 75e) report always using it.

D. WHAT ARE THE LIVING SITUATIONS OF VA PENSIONERS?

This discussion focuses on an analysis of the changes that respondents experienced in their circumstances since enrolling in the VA Pension program. It focuses on the financial conditions of VA pensioners and the effect of the program on their quality of life and well-being. Relatively new VA Pension program enrollees, those receiving benefits after 2000, form the basis for making before-and-after comparisons of respondents' circumstances. Compared with the all survey respondents, the new enrollees comprise 21 percent (the same percentage for veterans and spouses).

I. What is the current financial situation of pensioners, compared with the year before they began receiving VA benefits?

Veterans are more positive in their assessment of the impact of the VA pension on their financial situation than spouses (Exhibit 8.16). More than half of the recent veteran enrollees (54%) and less than a third of the recent spouse recipients (29%) rate their current financial situation as better than before they began to receive the VA pension. A substantial percentage of recent enrollees report that receiving the VA benefits had no impact on their financial situation (24% of veterans and 32% of spouses). Twenty-two percent of the veterans and 38 percent of spouses recently enrolled in the VA Pension program consider their current financial situation worse than in the year before receiving VA benefits. Spouses may have more negative assessments due to the death of the veteran and the corresponding loss of the veteran's income.

Exhibit 8.16. Pensioners' Ratings of Their Current Financial Situation Compared with the Year Before Receiving VA Benefits

Veterans' Ratings of Their Current Financial Situation	Percentage of Recent Veteran Pensioners	Percentage of Recent Spouse Pensioners
Much worse	7.0%	8.8%
Worse	9.9%	16.2%
Somewhat worse	4.9%	12.5%
About the same	23.9%	32.4%
Somewhat better	15.5%	9.6%
Better	27.5%	15.4%
Much better	10.6%	3.7%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 17

Veterans with the largest award amount and the oldest respondents are more likely than any other group of veterans to rate their current financial situation as being better than before they received VA pension (61% and 62%, respectively) (Appendix D, Table 17). Conversely, the younger veterans and respondents with the smallest pensions are the most likely to rate their current financial situation as being worse than in the year before receiving VA benefits (28% and 17%, respectively). A somewhat different pattern of the results is found for the spouses. The older spouses and those with awards of \$100–\$400 are more positive in their assessment of the impact of the VA program on their financial situation (33% and 42%, respectively) than other groups of spouses (Appendix E, Table 17). Conversely, spouses with children, the youngest spouses, and those with the largest award amounts perceive the impact of the VA program more negatively (44%, 54%, and 43%, respectively) than other respondents.

2. How does current income compare with income level before receiving benefits?

Veterans are more positive than spouses in their ratings of the current household income, compared with the household income before receiving VA benefits. More than half of the recent veteran enrollees (56%) rate their current household income, including the VA pension benefit, as more than in the year before they began receiving VA benefits, compared with about one-quarter of the spouses (27%)(Exhibit 8.17). In contrast, 28 percent of veterans and 38 percent of the spouses report a decrease in their current household income, compared with the year before receiving VA benefits. However, a higher percentage of spouses (29%) report their current household income to be the same as before receiving VA pension than veterans do (16%).

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Exhibit 8.17. Pensioners' Ratings of Current Household Annual Income, Including VA Benefits, Compared with Household Annual Income Before They Began Receiving VA Benefits

Ratings of Current Household Annual Income Compared with Household Annual Income Before VA Benefits	Percentage of Recent Veteran Pensioners	Percentage of Recent Spouse Pensioners
About the same	15.5%	28.7%
Less	27.5%	38.2%
More	56.3%	27.2%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 12

Veterans with the largest award amount and the oldest respondents are more likely than any other group of veterans to rate their current household income as being more than before they received a VA pension (62% and 62%, respectively) (Appendix D, Table 12). Conversely, the youngest veterans and respondents with awards of \$100–\$400 are the most likely of all groups of veterans to rate their current household income as being less than in the year before the VA benefits (30% and 33%, respectively). Among spouses, those with awards \$100–\$400 and respondents aged 65–79 are more likely to consider their current household income as being more than before receiving a VA pension (32% and 35%, respectively) than other groups of spouses. Spouses with children and younger respondents are the most likely to report their household income as being less than before receiving a VA pension (58% and 60%, respectively) (Appendix E, Table 12).

Comparing the actual amount of the total yearly household income reported by new veteran enrollees before and after receiving the benefits, the VA benefit increases the household income of veterans by an average of about \$2,000 (Appendix D, Table 12.1). Before receiving a VA pension, recent veteran enrollees had an average total household income of \$16,615. Counting all the sources of income, including any earnings, interests, Social Security pensions, and other benefits including their VA pension, veterans report their average total household income after receiving VA benefits to be \$18,616. The oldest veterans report the largest increase in total annual household income (\$2,539), while veterans with awards of \$100–\$400 report a decrease in annual household income (\$1,298) compared with their income before receiving VA benefits.

Different results were obtained for the spouses. Overall, spouses report their total annual household income before VA pension to be \$12,475 and their current household income including their VA pension to be \$9,139, which is a \$3,336 decrease in the household income (Appendix E, Table 12.1). All groups of spouses report a decrease in the amount of their current household income compared with the year before receiving VA pension, especially the younger spouses who report a decrease of \$7,482 in their household income. The loss of the income provided by the deceased veteran is the likely cause of such a drastic decrease in spouses' reports of the amount of current household income, compared with the year before receiving VA benefits.

3. Did pensioners have difficulties paying for living expenses in the past 12 months, compared with the year before receiving VA benefits?

Their VA pension enabled many new program enrollees to pay for more of their basic living expenses. A majority of new program participants (65% of veterans and 52% of spouses) had difficulties or were unable to pay for their basic living expenses in the year before they enrolled in the VA Pension

program (Exhibit 8.18). However, this proportion fell to one-third (32% of veterans and 35% of spouses) for the recent enrollees who report having difficulties or inability to pay for their living expenses in the past 12 months. Veterans with the largest pension amount and those aged 65–79 have the largest decrease in the percentage of respondents who were unable to fully pay for their living expenses (39% and 42% decrease respectively) (Appendix D Table 16). Veterans with children and respondents with the smallest pensions report the smallest decrease in the percentage of respondents who were unable to fully pay for their living expenses (21% and 21% decrease, respectively). Among spouses, those with monthly pensions of \$100–\$400 and spouses aged 65–79 evidence the largest decrease in the percentage of respondents reporting inability to fully cover living expenses in the past 12 months, compared with the year before receiving a VA pension (35% and 29% decrease, respectively). Conversely, the younger spouses and those with the largest awards have the smallest decrease in the percentage of respondents with difficulties paying for living expenses (9% and 9% decrease, respectively).

Exhibit 8.18. Percentage of Pensioners Who Had Difficulty or Inability to Pay for Living Expenses in the Past 12 Months Compared with the Year Before Receiving VA Benefits

Veterans Who Had Difficulty or Inability to Pay for Living Expenses	Percentage of Recent Veteran Pensioners	Percentage of Recent Spouse Pensioners
In the year before began receiving VA benefits	64.8%	52.2%
In the past 12 months	32.4%	34.6%
Percentage Change	32.4%	17.6%

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 16

Compared with White VA pension recipients, a substantially greater percentage of non-White respondents indicate that they either had difficulties paying for their living expenses or were not able to pay for their living expenses both before and after receiving a VA pension (Exhibit 8.19). Non-White veterans are more likely than White veterans to report having difficulty or inability to pay for their living expenses in the year before receiving a VA pension (73% of non-White veterans and 63% of White veterans) and in the past 12 months (54% of non-White veterans and 28% of White veterans). The difference between White and non-White respondents is even greater among spouses. Non-White spouses are more likely than White spouses to report having difficulty or inability to pay for their living expenses in the year before receiving a VA pension (64% of non-White spouses and 49% of White spouses) and in the past 12 months (71% of non-White spouses and 25% of White spouses). It appears the VA pension is not enough to help non-White spouses compensate for the loss of spousal income, as greater percentage of non-White spouses report having difficulties or inability to pay for their current living expenses than in the year before they received a VA pension.

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Exhibit 8.19. Percentage of Pensioners Who Had Difficulty or Inability to Pay for Living Expenses in the Past 12 Months, Compared with the Year Before Receiving VA Benefits, by Race

Veterans Who Had Difficulty or Inability to Pay for Living Expenses	Percentage of White Veterans	Percentage of Non-White Veterans
In the year before began receiving VA benefits	62.9%	73.1%
In the past 12 months	27.6%	53.8%
Percentage Change	35.3%	19.3%
Spouses Who Had Difficulty or Inability To Pay for Living Expenses	Percentage of White Spouses	Percentage of Non-White Spouses
In the year before began receiving VA benefits	49.1%	64.3%
In the past 12 months	25.0%	71.4%
Percentage Change	35.3%	19.3%

Source: Survey of Veteran and Spouse Pensioners

4. What are pensioners' three highest living expenses before and after receiving VA benefits?

In the year before receiving a VA pension, recent enrollees report that their three highest living expenses were food (60% of veterans and 49% of spouses), utilities (55% of veterans and 66% of spouses), housing (54% of veterans and 38% of spouses), and health care (21% of veterans and 34% of spouses). With respect to the annual amounts of these expenses, the most costly expense is health care (\$5,845 for veterans and \$7,841 for spouses), followed by housing (\$4,619 for veterans and \$5,434 for spouses), and food (\$2,977 for veterans and \$3,064 for spouses) (Exhibit 8.20). Loans or debt payment is an additional living expense that is not frequently cited by the respondents (6% of veterans and 2% of spouses) but is a substantial annual expense (\$4,453 for veterans and \$4,667 for spouses) (Appendices D and E, Tables I3 and I3a).

Exhibit 8.20. Pensioners' Most Frequently Cited Highest Living Expenses in the Year Before Receiving VA Benefits, and the Annual Amount

Most Frequently Cited Highest Living Expenses	Percentage of Recent Veteran Enrollees	Annual Amount
Food or groceries	59.9%	\$2,977.24
Utilities	54.9%	\$2,325.36
Housing, such as rent or mortgage	53.5%	\$4,619.24
Health care expenses	21.1%	\$5,845.30
Car or transportation	17.6%	\$3,175.33
Most Frequently Cited Highest Living Expenses	Percentage of Recent Spouse Enrollees	Annual Amount
Utilities	66.2%	\$2,789.85
Food or groceries	49.3%	\$3,064.07
Housing, such as rent or mortgage	38.2%	\$5,434.33
Health care expenses	33.8%	\$7,840.86
Car or transportation	11.8%	\$1,652.00

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Tables 13 and 13a

There is little change in the living expenses identified as pensioners' three highest after receiving their VA pension. Among all respondents, the same living expenses are cited as highest living expenses in the past 12 months—food (65% of veterans and 60% of spouses), utilities (64% of veterans and 71% of spouses), and housing (54% of veterans and 46% of spouses) (See Exhibits 5.3.a and 5.3.b). The major difference in the patterns is health care expenses—a higher percentage of recent awardees cite it as one of their highest living expenses in the year before receiving VA pension (21% of veterans and 34% of spouses), compared with the 16 percent of all veterans and 23 percent of all spouses who cite health care as one of the highest living expenses in the past 12 months. It may be that high health care costs motivated these enrollees to seek a VA pension; these findings could also mean that current pensioners are spending less on health care because they cannot afford it.

5. Did pensioners' health status change since receiving VA pension?

New program enrollees, who began receiving benefits after 2000, report that their health status was better before they began receiving a VA pension. This is to be expected for veterans because total disability and advancing age are conditions for pension eligibility. Some veterans' health status downgraded from good to fair or poor since they began receiving a VA pension. Before receiving a pension, 20 percent of recent veteran enrollees rated their health as fair, 54 percent rated it as poor or very poor, and 26 percent rated it as good, very good, or excellent (Exhibit 8.21.a). After receiving a VA pension, the percentage of veterans rating their health as poor or very poor remained about the same (58%), but the percentage of veterans rating their health as good, very good, or excellent dropped to 15 percent, and the percentage of those rating their health as fair increased to 25 percent.

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Exhibit 8.21.a. Recent Veteran Enrollees' Ratings of Health Status in the Year Before Receiving VA Benefits, and Current Health Status

Ratings of Health Status	Percentage of Recent Veteran Enrollees' Rating Health Status Before Receiving VA Benefits	Percentage of Recent Veteran Enrollees' Rating Current Health Status
Very poor	19.0%	19.7%
Poor	35.2%	38.7%
Fair	19.7%	25.4%
Good	16.9%	11.3%
Very good	4.2%	1.4%
Excellent	4.9%	2.1%

Source: Survey of Veteran Pensioners, Appendix D, Tables 18a and 18b

The health status of spouses also shows a decline since they began receiving their VA pension. This can be expected because of the advanced age of spouses and the general relationship between advanced age and declining health. Before receiving benefits, 37 percent of recent spouse enrollees rated their health as fair, 27 percent rated it as poor or very poor, and 36 percent rated it as good, very good, or excellent (Exhibit 8.21.b). After receiving VA benefits, the percentage of spouses rating their health as poor or very poor increased to 40 percent, but the percentage of spouses rating their health as good, very good, or excellent dropped to 27 percent, and the percentage of those rating their health as fair decreased to 33 percent. Deteriorating health is a key reason that pensioners cite for seeking a VA pension, and health continues to deteriorate as the pensioners age.

Exhibit 8.21.b. Recent Spouse Enrollees' Ratings of Health Status in the Year Before Receiving VA Benefits, and Current Health Status

Ratings of Health Status	Percentage of Recent Spouse Enrollees' Rating Health Status Before Receiving VA Benefits	Percentage of Recent Spouse Enrollees' Rating Current Health Status
Very poor	7.4%	11.0%
Poor	19.1%	28.7%
Fair	36.8%	33.1%
Good	25.7%	19.9%
Very good	8.1%	7.4%
Excellent	2.2%	0.0%

Source: Survey of Spouse Pensioners, Appendices D and E, Tables 18a and 18b

6. Did pensioners' health care expenses change since they began receiving a VA pension?

More than half of the veterans (58%) and more than three-quarters of the spouses (78%) who began receiving a VA pension after 2000 indicate that they paid for some of their health care expenses before they received a VA pension, averaging \$2,927 for veterans and \$3,708 for spouses annually (Exhibit 8.22). The most frequently cited health care expenses in the year before recent enrollees began receiving a VA pension are prescription medications (25% of veterans and 38% of spouses), doctor visits (21% of veterans and 26% of spouses), eyeglasses or eye exams (15% of veterans and 22% of spouses), and health insurance payments (14% of veterans and 30% of spouses). Some

veterans paid for emergency room visits (14%), while some spouses received dental care (13%), in the year before receiving a VA pension.

The most costly annual health care expenses are prescription medications (averaging \$2,132 for veterans and \$2,053 for spouses), health insurance premiums (averaging \$2,019 for veterans and \$1,632 for spouses), and dental care (averaging \$1,073 for veterans and \$901 for spouses). Among veterans, emergency room visits also require a significant annual payment (averaging \$1,426), while among spouses, chemotherapy or cancer treatments are extremely costly (averaging \$9,600) for a small percentage of spouses who incurred this health care expense (2%). Hospitalization is another health care expense that is not frequently cited in the year before receiving a VA pension (9% of veterans and 7% of spouses) but is a substantial annual expense (averaging \$5,517 for veterans and \$1,919 for spouses) (Appendices D and E, Tables 14 and 14a).

Exhibit 8.22. Recent Pensioners' Health Care Expenses in the Year Before Receiving VA Benefits

Most Frequently Cited Health Care Expenses	Percentage of Recent Veteran Enrollees with Each Expense	Average Annual Amount
Prescription medications	25.4%	\$2,132.47
Doctor visits	21.1%	\$538.53
Eyeglasses and/or eye exams	15.5%	\$181.41
Emergency room visits	14.1%	\$1,426.31
Health insurance premiums	14.1%	\$2,019.47
Dental care	11.3%	\$1,073.33
Laboratory testing or monitoring	9.2%	\$640.83
Total Health Care Expenses	57.7%	\$2,926.91
Most Frequently Cited Health Care Expenses	Percentage of Recent Veteran Enrollees with Each Expense	Average annual Amount
Prescription medications	38.2%	\$2,053.36
Health insurance premiums	30.1%	\$1,631.56
Doctor visits	25.7%	\$446.91
Eyeglasses and/or eye exams	22.1%	\$185.38
Dental care	13.2%	\$900.67
Nonprescription medications	11.0%	\$334.15
Hospitalization	7.4%	\$1,919.33
Total Health Care Expenses	77.9%	\$3,708.00

Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Tables 14 and 14a

Although a much smaller percentage of pensioners report paying for health care expenses in the past 12 months (28% of veterans and 32% of spouses) than in the year before receiving a VA pension (58% of veterans and 78% of spouses), the pattern of the most frequently cited health care expenses does not change (Exhibit 5.5). Among all pensioners, the most prevalent health care services in the past 12 months are prescription medications (10% of veterans and 17% of spouses), doctor visits (8% of veterans and 12% of spouses), and eyeglasses or eye exams (6% of veterans and 7% of spouses). However, a substantially smaller percentage of respondents report paying for health insurance premiums in the past 12 months (2% of veterans and 3% of spouses) than in the year before they received a VA pension (14% of veterans and 30% of spouses). This drop in the percentage of respondents who report paying for health insurance is likely due to respondents getting health

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coverage from Medicare or Medicaid, which does not require a premium payment. This, in turn, explains why a smaller percentage of respondents report paying for health care services in the past 12 months than in the year before receiving their VA pension.

E. WHAT IS THE ESTIMATE OF PROVIDING VA HEALTH CARE TO SURVIVING SPOUSES AND DEPENDENT CHILDREN?

One study requirement is to estimate the potential use of VA medical care services by survivors who receive pensions, if they were made eligible for benefits. Currently, only veterans are eligible to enroll and to receive health care from VA medical facilities. Surviving spouses and dependent children of deceased veterans are not eligible to enroll in the veterans' VA health care system, although dependents of service-connected, 100 percent disabled veterans can enroll in CHAMPVA.

Our estimate of the potential use of VA health care services by survivor beneficiaries includes a projection of the number of beneficiaries who would use the benefits and the cost of providing health care benefits to this newly enfranchised group. Making such a projection requires a number of assumptions about the nature of the benefits that would be provided and the likelihood that death pension beneficiaries would actually use the benefits.

VA provides health care services to veterans according to eight priority groups. Most veterans who receive a pension are in Priority Group 5. They are veterans who have nonservice-connected disabilities or who have noncompensable service-connected disabilities that are rated at 0 percent and whose annual incomes and net worth are below the established dollar thresholds shown in Exhibit 8.23. We assume that surviving spouses would have to meet these income and net worth limits in order to qualify for VA health care. Veterans in Priority Group 5 are eligible to receive the VA health care benefits shown in Exhibit 8.24.

Exhibit 8.23. Family Annual Income Limit

Status	2002	2003
Veteran with no dependents	\$24,304	\$24,644
Veteran with one dependent	\$29,168	\$29,576
Each additional dependent	\$1,630	\$1,653
Total Income and Net Worth	\$80,000	\$80,000

Source: Veterans Health Administration (VHA Directive 2002-082 and 2001-078)

Exhibit 8.24. Summary of Veterans' VA Health Care Benefits and Copayments for Health Care Priority Group 5, CY2002

Type of Benefit	Description of Benefit	Copayment
Inpatient hospitalization	Inpatient hospital, medical, surgical and mental health care, substance abuse care and maternity at VA facility	No copay required
Outpatient surgical and Diagnostic testing/Labs	Outpatient, hospital, medical, surgical, mental health care, substance abuse care at VA facility	No copay required
Outpatient prescription drugs	Outpatient prescriptions and over-the-counter medications dispensed from a VA pharmacy— Nonservice-connected conditions Service-connected conditions	\$7 per 30-day supply, up to maximum of \$840 No copay required
Outpatient mental health care and substance abuse care	Outpatient counseling services	No copay required
Primary care visits	Outpatient visits for preventative screening, immunizations, laboratory, flat film radiology services, and EKGs	No copay required
Specialty care visits	Specialty care requiring referral such as nonroutine radiology services, audiology, optometry, MRI, CAT scan, nuclear medicine studies, surgical consults, and ambulatory surgery	No copay required
Emergency medical care	Outpatient emergency visits to VA facility	No copay required
Nursing home care	Non-acute illness and not in need of hospital care if space and resources are available	No copay required
Durable medical equipment and prosthetics	Includes artificial limbs, orthopedic braces and shoes, wheelchairs, crutches, etc.	No copay required
Domiciliary care	Rehabilitative and long-term health-maintenance care for veterans who require minimal medical care but do not need skilled nursing services provided in nursing home setting	No copay required
Dental care	Includes exams and diagnostic, surgical, restorative, and preventative procedures for the following veterans with nonservice-connected dental conditions determined by VA to be aggravating a medical problem This is not a true dental plan. Benefits are applicable for certain cases	No copay required

Source: Veterans Benefits Administration (<http://www.va.gov/elig/>)

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Our projection assumes that surviving spouses would receive the same benefits as veterans in Priority Group 5, although they would not necessarily be assigned the same priority. A new priority code would most likely be established for the new group of eligibles.

An important consideration in the design and utilization of benefits is the availability of other health care coverage and the probability that a survivor would use that other coverage rather than the VA health care system. Other insurance can come from three sources: 1) private insurance, 2) other insurance related to the veteran's service, and 3) other Government programs. Few survivors who have coverage under either of the first two categories would be eligible for VA coverage as explained below.

Private insurance would be obtained either through an employer or through private purchase. Few of the potential beneficiaries would have private insurance. Very few, if any, survivors would have private insurance through an employer and still qualify for VA health care because their incomes would most likely exceed the thresholds shown above. Few, if any, survivors would be able to purchase private insurance if their incomes were below the thresholds.

Insurance related to the veteran's service could include either TRICARE or CHAMPVA. To be eligible for TRICARE, the veteran must be retired or must have died in service. Consequently, the survivor would receive either a survivor benefit from the military retirement system or Dependency and Indemnity Compensation (DIC). Survivors who are not eligible for TRICARE or Medicare Part A may be eligible for CHAMPVA if they are one of the following:

- ◆ A spouse or child of a veteran who has a permanent and total service-connected disability
- ◆ A spouse or child of a veteran who died of a service-connected condition or was totally disabled from a service-connected condition at the time of death
- ◆ A spouse or child of a person who died in the line of duty and not due to misconduct
- ◆ Survivors covered by CHAMPVA and who also receive DIC.

In summary, survivors who are eligible for either TRICARE or CHAMPVA, in nearly all cases, would have incomes that disqualify them for extension of VA health care benefits.

Other Government programs include Medicaid and Medicare. More than 95 percent of survivors over age 65 would be expected to have Medicare coverage. An extension of the VA health care system benefits to survivors would require a design that reflects Medicare and Medicaid coverage. Variations in the interaction of the programs would affect the cost of the extended program. Our projection assumes that the interaction of Medicare and Medicaid would result in cost effects that are similar to those of other insurance policies for people covered by TRICARE or the current VA health care system.

Our projection of the participation in a new survivor health care benefit is based on our estimate of the total population of survivors eligible for a survivor's pension, not just current beneficiaries. Many survivors in the unserved population who have not previously applied for a pension because they believe that the benefit is too small or not worth the effort might apply if the pension program also carried eligibility to health care benefits.

Further, it is possible that the proposal might have to be extended to some survivors who are not eligible for VA pension because they have income above the threshold limits. Those who are above the limits would argue that they should not be penalized because their income is too high. One approach is to create a new priority category for survivors, such as Priority Group 10.

For example, one widow with no dependent might have \$6,496¹ in other income and therefore qualify for a \$1 VA pension benefit. Another widow with no dependent who has other income of \$6,498 would not qualify for VA pension. It would appear to be inequitable to provide coverage under the VA health care system to the first widow but not the second.

Another complication would be the interaction of the VA health care system and the deduction for unreimbursed medical care in determining whether a survivor has countable income below the level needed to receive a VA pension benefit. Use of the VA health care system would reduce the unreimbursed medical care expenses, which in turn would increase the net income. That could result in the loss of their VA pension and the right to health care.

As a result of the above considerations, we believe it would be reasonable to project the costs not only for the total number of survivors currently receiving a pension, but also for the unserved population, as described in Chapter 3. The actual population could be less if all currently unserved survivors did not elect the VA pension. On the other hand, it could be more if the benefit was extended to those with income above the VA pension limits.

The cost of expanding VA health care eligibility to survivor pensioners includes the utilization and cost per episode of care. The actual use of health care by survivors and the cost of that care depend on a number of factors for which there are not specific data, since survivors do not currently use the VA health care system. These unknown factors include the extent to which the survivors will continue to use non-VA sources of health care and the differences between the utilization of health care for survivors and veterans.

When health care is extended to a new group, the actuarial practice is to use experience for similar groups as a basis for the estimated cost. The closest matches to the demographics and benefits for survivors are the current experience under the VA health care system and TRICARE. While the demographics and design of these two systems vary widely, the experience has been reasonably close to use as a guide for this estimate of the proposal's approximate cost.

The first source of data is the cost of care for survivors receiving health care coverage from TRICARE. This is a population of surviving spouses and dependents of veterans, but their health care is delivered in a much different set of circumstances and facilities than the VA health care system for veterans. The claim costs for inpatient, outpatient, and prescription drug under TRICARE are obtained from the report *Analysis of the U.S. Military's Projected Retiree Medical Liabilities as of September 30, 2000* (Milliman Report) conducted by Milliman and Robertson for the Department of Defense (DoD).

The second source of health care experience is the current utilization of services under the VA health care system by veterans and the costs of those services. One important difference between the

¹ Effective December 1, 2002, the countable family income limit for a surviving spouse with no dependent is \$6,497.

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existing and new population is that the existing population is primarily male and the new population would be primarily female.

The average per-person costs in Exhibit 8.25 are from experience for veterans who are enrolled in the VA health care system and survivors who are enrolled in TRICARE. The eventual enrollment among the survivors eligible for VA health care would be fairly high, since these survivors have low income. We suspect that enrollment would be lower in the early years. The exhibit shows a first-year cost assuming that 25 percent of the eligible survivors enroll in the VA Pension program in the first year. Thus, if 25 percent of current spouse pensioners who are unserved beneficiaries used the new health care benefit during all of 2002, the cost to VA would have been approximately \$2.17 billion.

Exhibit 8.25. Projected Cost of Health Care for Surviving Spouses and Children for FY 2002

Age	Current plus Unserved Survivors	Per Person Cost	Total Cost at 25% Enrollment in VA Health Care
<35	1,391	\$2,346	\$815,727
35-44	6,102	\$2,346	\$3,578,999
45-54	49,943	\$4,555	\$56,867,155
55-64	63,793	\$4,555	\$72,637,322
65-74	505,130	\$5,133	\$648,243,506
75-84	789,944	\$5,133	\$1,013,750,649
85+	285,845	\$5,133	\$366,831,070
Total Spouses	1,702,148		\$2,162,724,431
Total Children	15,626	\$1,455	\$5,685,600
Total Spouses and Children	1,717,774		\$2,168,410,031

Source: Study Team

F. SUMMARY

Most VA pensioners believe that their VA benefit provides either moderate or little financial security. The VA pension benefit is not sufficient to cover the primary living expenses of more than two-thirds of all pensioners. They describe their financial situation as either barely being able to pay for their basic necessities or having to make major sacrifices. Financial difficulties of VA pensioners are further reflected in the finding that approximately one-third of the respondents indicate that they either experienced difficulty paying were unable to pay for various living expenses such as food, utilities, and housing. Furthermore, more than half of the respondents ran out of money and had to cut back on their living expenses during the past 12 months. The financial situation of many of the VA pensioners is likely to deteriorate over time. For approximately half of the respondents, the VA benefit covers only some of the cost-of-living increases but not most or all. For about a quarter of the veterans, the VA benefit has not covered any of their cost-of-living increases.

As a result of difficulties in paying for everyday living expenses, more than three-quarters of the VA pensioners had to find means to cover the living expenses by devising strategies where their basic

necessities, such as food, utilities, and health care, are cut to a minimum to get by or are not obtained at all. For most respondents, day-to-day living is defined by having to choose how much and what kind of food they can afford to consume, forgoing necessary health care services to save money, deciding how much they can afford to use heat or air-conditioning, cutting back on clothing and transportation expenses, and having to borrow money or rely on credit cards to meet basic living expenses.

Having enough food and having food that provides a balanced nutritional meal are serious unmet needs of many VA pensioners. Two-thirds of pensioners use food-related strategies to save money for other living expenses. They frequently sacrifice their nutrition, and perhaps long-term health, by consuming cheaper and less nutritious foods in smaller portions to save money to pay for other basic necessities. Respondents also indicate that buying more food is the first thing they would do if they had some extra money.

VA pensioners report that they cut back on using basic preventative and routine health care services to save money, or they eliminate obtaining health care altogether when their financial resources are depleted. More than a third of the respondents use health care-related strategies to compensate for not having enough money to cover basic living expenses. As a result, about a quarter of the respondents report not getting health care services that they need, including dental care, eyeglasses or eye exams, prescription medications, and doctor visits. VA pensioners' need to cut back on health care services is a serious issue, particularly given the poor health condition of many respondents, who have an average of four major health problems and physical limitations that affect their activities of daily living and quality of life. If VA health care benefits were extended to spouses, the cost to VA would be \$2.17 billion, assuming that 25 percent of all eligible spouses enrolled in VA health care.

In addition to the food-related and health care-related money-saving strategies, almost half of the VA pension recipients also had to cut back on basic housing expenses by reducing or avoiding the use of air conditioning and heat, and by not paying fully or not paying at all for the utility bills. The respondents' poor financial situation is also evident by their use of other strategies to stretch their limited income. More than half of the pensioners cut back on purchasing new clothing and shoes, stay home because any kind of travel or transportation is too expensive, or pay for expenses by borrowing money from other people or by incurring credit card debt. The use of the money-saving strategies is not a rare occurrence—most of the respondents use each of these strategies at least a few times a year, and about half of those respondents who cut back use the most frequently cited strategies all of the time. Furthermore, VA pensioners use these strategies concurrently to save money to pay for living expenses when their VA pension (as well as other financial resources) run out too soon. Larger percentages of pensioners with children, those younger than 65 years of age, and non-Whites report a far greater financial need and use money-saving strategies more than other pensioners.

Despite the money-saving strategies that they use to make ends meet, VA pensioners would be significantly worse off without their VA pension. More than half of the recent veteran pensioners and almost a third of the recent spouses pensioners rate their current financial situation as being better than before they began receiving a VA pension, and they also report their current household income as being more than before they began receiving a VA pension. Furthermore, the percentage of recent awardees who had difficulties or were not able to pay for their living expenses was much smaller in the past 12 months than in the year before the VA benefits. Thus, the VA pension benefit is an important part of VA pensioners' ability to survive.

CHAPTER 9. SATISFACTION

This chapter addresses the satisfaction of veterans and spouses who participate in the VA Pension program. Analyses were conducted to determine veterans' and spouses' overall level of satisfaction with the program, as well as satisfaction with key aspects of the program. The objectives of these analyses are as follows:

- ◆ Measure the overall satisfaction level of the beneficiaries
- ◆ Measure the satisfaction level of respondents with specific program attributes such as benefit amount or receiving benefit on time
- ◆ Determine which program attributes are the most important in affecting overall customer satisfaction
- ◆ Identify areas of improvement that will have the greatest impact on satisfaction.

Respondents were asked a set of questions related to satisfaction. The questions concerned overall satisfaction and satisfaction with the following items:

- ◆ Application process overall
- ◆ Sending in information on changes to situation
- ◆ VA staff
- ◆ Amount of benefit
- ◆ Counting the income of spouses in calculating veterans' benefit amount¹
- ◆ Counting the income of dependent children in calculating pension amount
- ◆ Counting net worth in calculating pension amount
- ◆ Counting proceeds of the sale of the home in calculating pension amount
- ◆ Treatment of unreimbursed medical expenses in determining pension amount
- ◆ Overall service experience since receiving VA benefit.

Pensioners' overall rating of the program is based on a six-point scale, beginning with excellent; satisfaction ratings for individual process use the following six levels ranging from "Very satisfied" to "Very dissatisfied:"

- ◆ 6 = Very satisfied
- ◆ 5 = Satisfied
- ◆ 4 = Somewhat satisfied
- ◆ 3 = Somewhat dissatisfied
- ◆ 2 = Dissatisfied
- ◆ 1 = Very dissatisfied

¹ Asked only of veterans.

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The responses that did not express the level of satisfaction/dissatisfaction such as “None of the above,” “Don’t know or not sure,” and “Refused to answer” were coded but not analyzed.

To analyze the survey responses on customer satisfaction, we relied primarily on the calculation of average ratings and the frequency distribution of the 10 satisfaction ratings. We also calculated the relative importance of each program attribute to overall satisfaction. Our approach was not to directly ask respondents which attributes contributed most to their overall satisfaction, but to base the assessment of what factors most influence overall satisfaction on the strength of the statistical correlations between satisfaction with a given attribute and overall satisfaction. The attributes of satisfaction that correlate more strongly with overall satisfaction are more important than attributes with little correlation with overall satisfaction. An attribute can have a low satisfaction score but still correlate highly with overall satisfaction and vice versa. From a program manager’s point of view, attributes that have the most potential for improving satisfaction are those with a low satisfaction score and a high correlation with overall satisfaction.

Tabulations of average survey results show that the majority of spouse and veteran respondents (60% of veterans and 63% of spouses who provided a rating) rate the program as “excellent” or “good.” These ratings are equivalent to the satisfaction scale presented previously and used throughout the survey. Although most of the respondents rate the program highly, satisfaction scores still show enough variation to allow us to assess differences in satisfaction scores by program attributes.

Veteran and spouse pensioners are most satisfied with the staff at the Regional Office or Service Call Center. Pensioners are less satisfied with their overall service experience. We also found that the most important factor driving overall satisfaction for both groups is the amount of the benefit.

A. HOW SATISFIED ARE PENSIONERS WITH THEIR VA PENSIONS?

Exhibit 9.1 shows the average satisfaction scores for overall satisfaction and the 10 attributes of the VA pension process. Overall satisfaction with the VA Pension program is 4.55 for spouses and 4.41 for veterans.

Exhibit 9.1. Average Satisfaction Scores for Surviving Spouse and Veteran Pension Survey Respondents

Satisfaction	Average* Score for Veterans	Average* Score for Spouses
Overall satisfaction with pension program	4.41	4.55
VA staff	5.00	5.11
Application process overall	4.73	4.89
Sending information	4.72	4.77
Treatment unreimbursed medical expenses	4.41	4.48
Counting net worth	4.28	4.48
Counting the income of spouses	4.06	N/A
Counting the income of dependent children	4.04	4.59
Amount of benefits received	3.80	4.03
Counting the proceeds of home sale	3.49	3.78
Overall service experience²	3.47	3.44

*Averages based on a scale of 1–6 described previously.

Source: Q78-81, 83 and Q84 in Survey of Veteran and Spouse Pensioners and Study Team Analysis

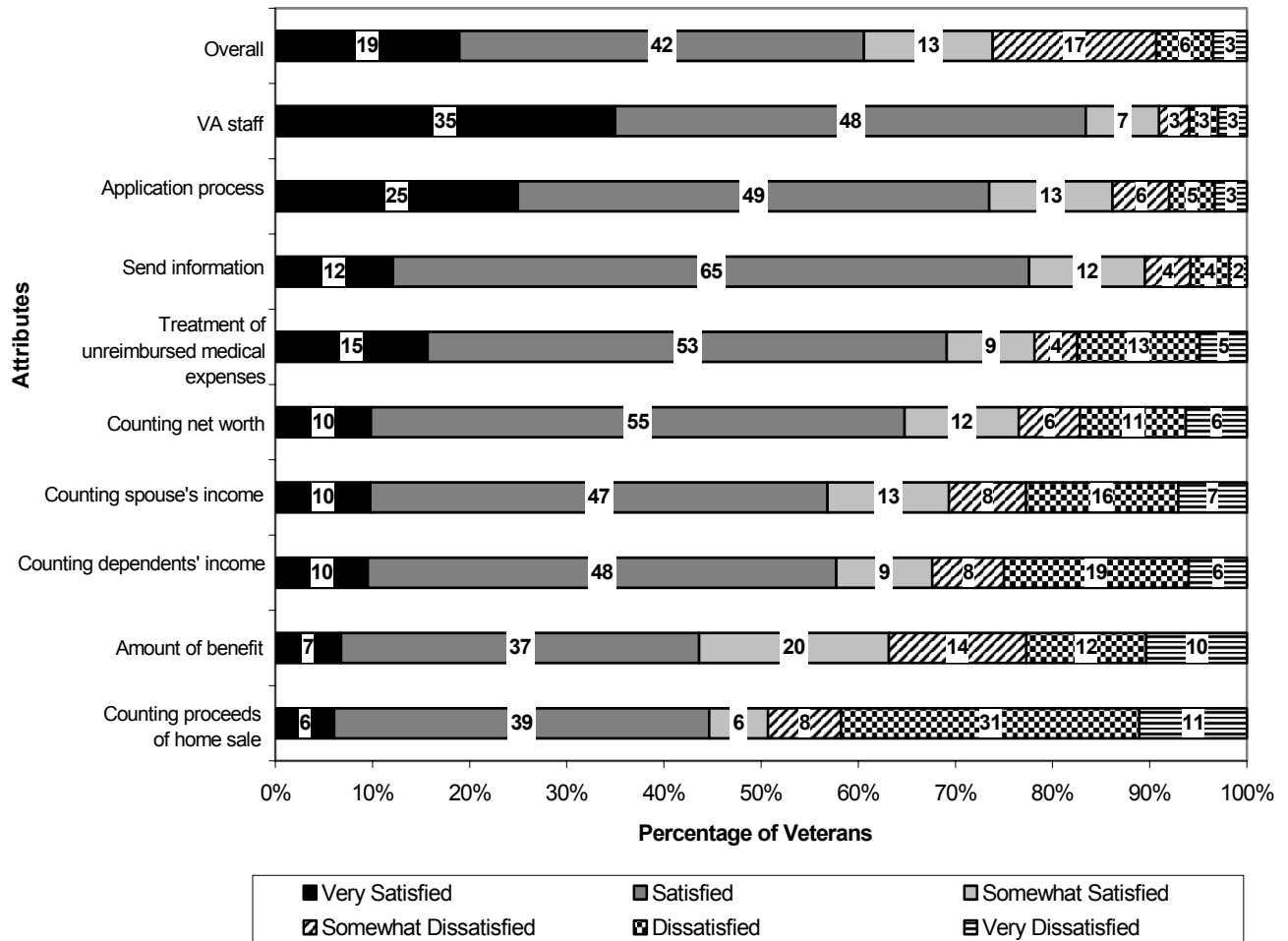
Respondents give the highest satisfaction scores for VA staff (5.11 for spouses and 5.00 for veterans), the application process overall (4.89 for spouses and 4.73 for veterans), and sending information (4.77 for spouses and 4.72 for veterans). Treatment of unreimbursed medical expenses (4.41), counting net worth (4.28), counting the income of spouses (4.06), and counting the income of dependent children (4.04) are scored “somewhat satisfied” by veterans. Counting the income of dependent children (4.59), treatment of unreimbursed medical expenses (4.48), and counting net worth (4.48) are scored “Somewhat satisfied” by spouses. The lowest satisfaction rating by veterans and spouses is for the amount of benefits received (4.03 for spouses and 3.80 for veterans), counting the proceeds of the sale of the home (3.78 for spouses and 3.49 for veterans), and overall service experience (3.44 for spouses and 3.47 for veterans). It is noteworthy that all of the scores, except for three, are above 4.0, which indicates some satisfaction. Exhibits 9.2 and 9.3 show the distribution of responses.

The results are similar to the results of a previous study conducted by the study team for DIC survivors, as well as our current study on the Parents’ DIC. In both studies, VA staff had the highest satisfaction rating and the amount of benefits had the lowest satisfaction rating.

² Based on a scale of 1–5, with 5 being the highest level of satisfaction.

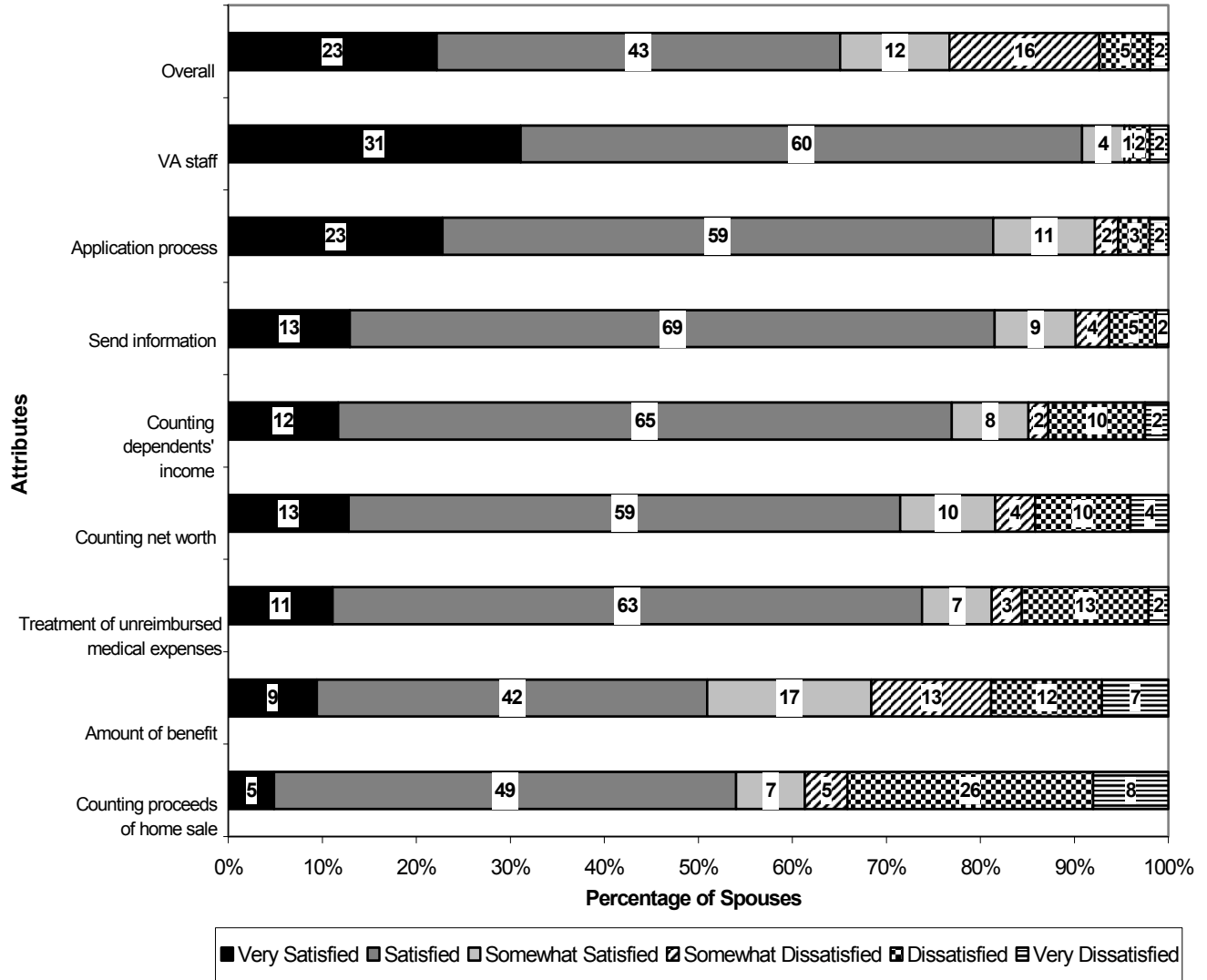
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**Exhibit 9.2. Distribution of Satisfaction Scores, by Attribute
(For Veterans Who Provided Satisfaction Score)**



Source: Q78-81, 83, and 84 in Survey of Veteran and Spouse Pensioners

**Exhibit 9.3. Distribution of Satisfaction Scores, by Attribute
(For Spouses Who Provided Satisfaction Score)**



Source: Q78-81, 83 and 84 in Survey of Veteran and Spouse Pensioners

We examined two subsets of the spouse sample, those with children present in the household and those who recently (within the past 2 years) began receiving a pension. In terms of the frequency distribution of responses, spouses with children present have noticeably different satisfaction responses than spouses in general (there is no noticeable difference between the general Spouse sample and those who recently began receiving the benefit). For example, fewer of the spouses with children present indicated that they were “Very satisfied,” “satisfied,” or “Somewhat satisfied” in the following areas:

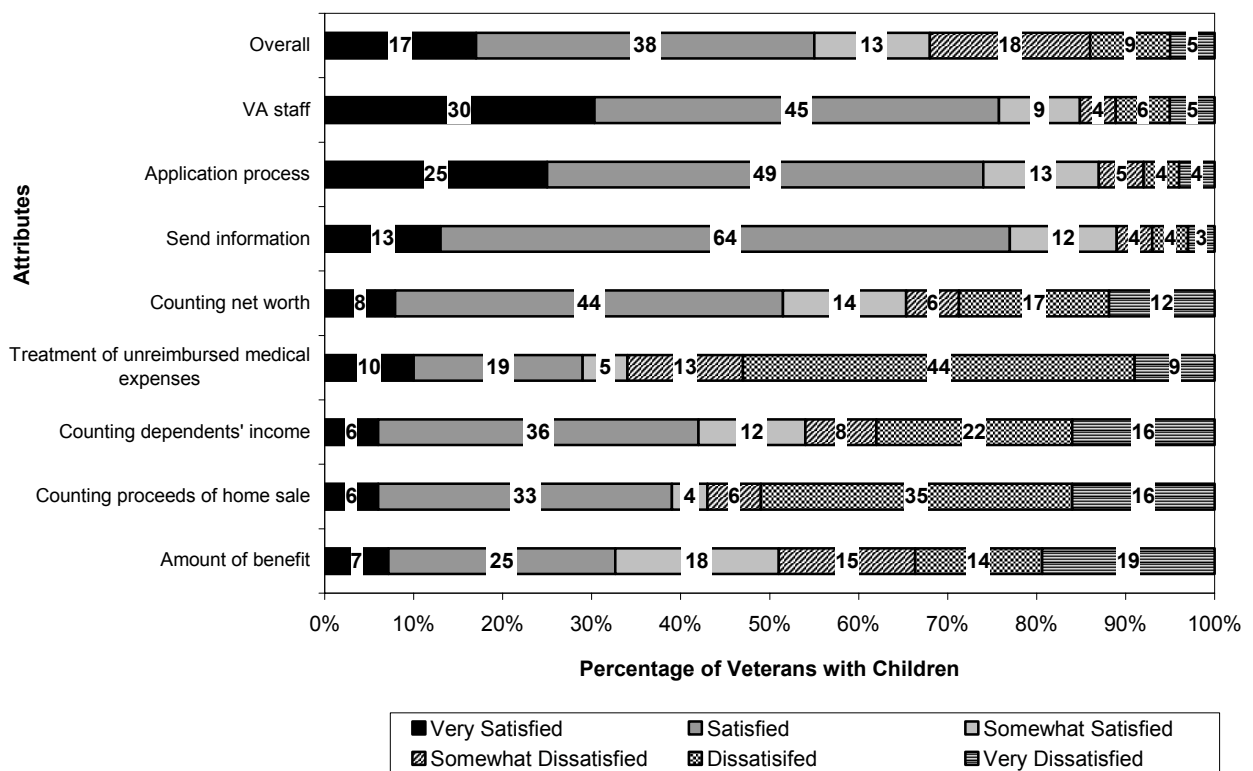
- ◆ Overall satisfaction
- ◆ Amount of benefit
- ◆ Counting dependent income

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- ◆ Counting net worth
- ◆ Counting proceeds of home sale (as part of net worth)
- ◆ Treatment of unreimbursed medical expenses.

Veterans with children are less satisfied with the program overall, and with specific areas related to the amount of the benefit. Exhibit 9.4 shows the distribution of responses for veterans with children present.

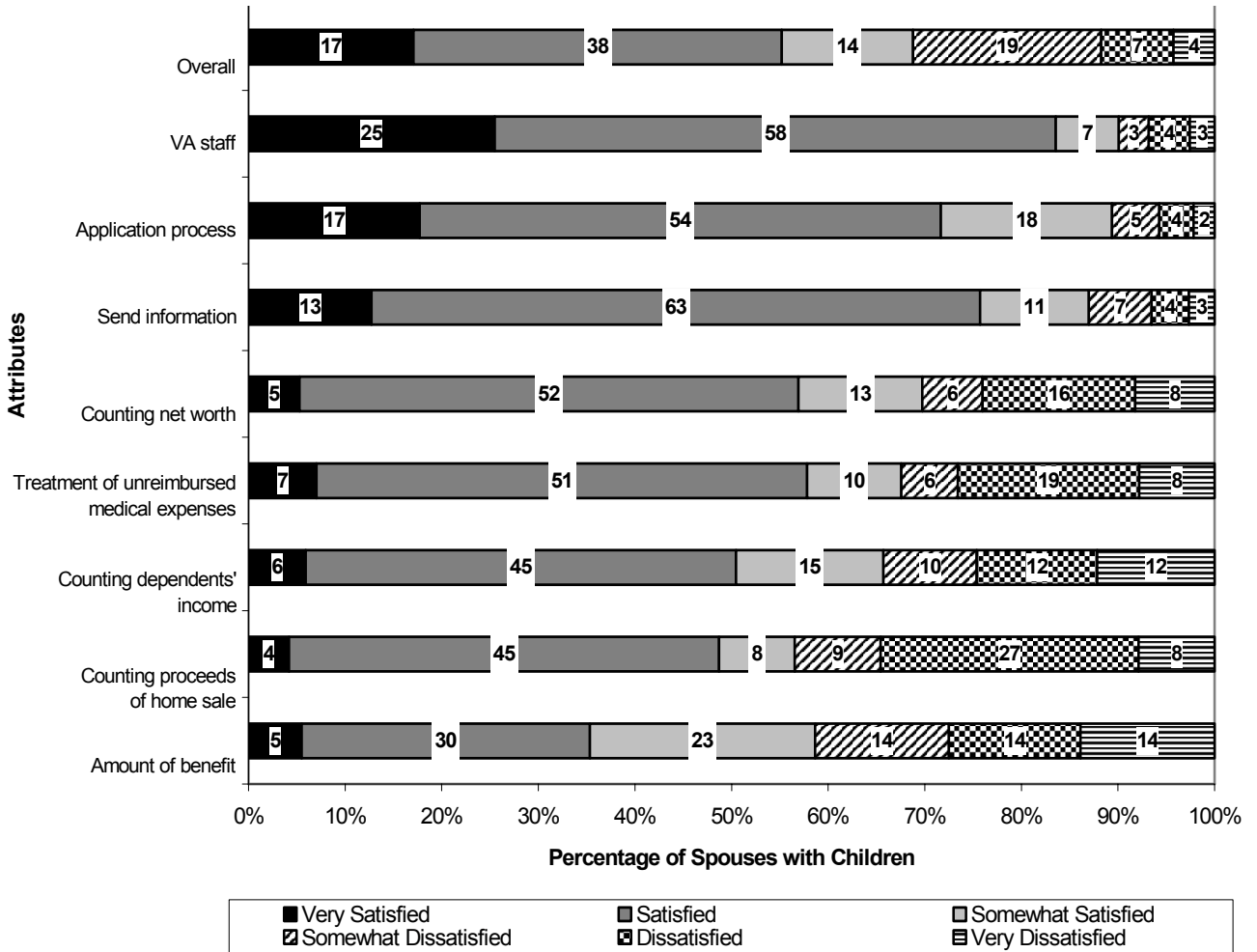
**Exhibit 9.4. Distribution of Satisfaction Scores, by Attribute
(For Veterans with Children Who Provided Satisfaction Score)**



Source: Q78-81, 83, and Q84 in Survey of Veteran Pensioners

As was found in a previous study on DIC surviving spouses, spouses with children are less satisfied with the program overall and with specific areas related to the amount of the benefit. Exhibit 9.5 shows the distribution of responses for spouses with children present.

**Exhibit 9.5. Distribution of Satisfaction Scores, by Attribute
(For Spouses with Children Who Provided Satisfaction Score)**



Source: Q78-81, 83, and Q84 in Survey of Spouse Pensioners

B. WHO IS SATISFIED AND WHO IS NOT?

Average overall satisfaction scores, by veteran and spouse characteristics, are reported in Exhibit 9.6. Findings regarding overall satisfaction of veterans include the following:

- ◆ As veterans' age increased, they tend to be more satisfied.
- ◆ Male veterans are less satisfied than female veterans.
- ◆ African American or Black veterans are less satisfied overall than other races.

Findings regarding overall satisfaction of spouses include the following:

- ◆ As spouses' age increases, they tend to be more satisfied.
- ◆ As spouses' education increases, they tend to be less satisfied.

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Exhibit 9.6. Average Overall Satisfaction Scores, by Pensioner Characteristic

Characteristics of Veteran and Spouse Pensioners		Veterans		Spouses	
		Average Score for Spouses	Count	Average Score for Veterans	Count
Supported by veteran	Yes	N/A	N/A	4.54	562
	No	N/A	N/A	4.59	63
Age	Less than 65	4.31	252	4.51	160
	65–79	4.45	277	4.56	252
	80 and over	4.50	136	4.57	214
Gender	Male	4.38	625	4.78	9
	Female	4.78	40	4.54	618
Race	White	4.47	488	4.66	425
	Black	4.18	141	4.27	172
	Asian	5.00	1	4.50	4
	Native Hawaiian, American Indian, or Alaska Native	4.31	13	4.89	9
	Other	4.85	13	3.50	8
Education	Less than high school	4.44	299	4.56	371
	High school or GED	4.49	180	4.54	173
	More than high school	4.27	182	4.52	79
Living arrangement	Private residence	4.40	640	4.54	585
	Nursing home or assisted-living center	4.80	20	4.59	39
	Group quarters/Dormitory/Hotel	2.00	1	5.67	3

Source: Survey of Veteran and Spouse Pensioners

A more sophisticated statistical technique, regression analysis, was performed to corroborate the results in Exhibit 9.6. This technique allows us to take into account the simultaneous influences of several factors on satisfaction that the simple mean calculation does not. The dependent variable we used for this analysis was the overall rating of the program. Exhibit 9.7 shows regression results for overall satisfaction with the pension program. Only one attribute shows statistical significance for both the veterans and spouses: race. Whites are more satisfied overall for both veterans and spouses.

Exhibit 9.7. Overall Satisfaction with the VA Pension Program

Factors	Impact	Significance
Veterans		
Race—White	More satisfied	Significant at 95% level
Spouses		
Race—White	More satisfied	Significant at 99% level

Source: Survey of Veteran and Spouse Pensioners

C. WHAT ARE THE KEY DRIVERS OF SATISFACTION?

The study team identified the most important program attributes that affect the beneficiaries' overall satisfaction. This is not a report on what attributes spouses and veterans are most satisfied with, but a report on which attributes contribute the most to overall satisfaction.

Multivariate statistical analysis was used to identify the key drivers of overall satisfaction and determine their respective importance.

Exhibits 9.8 and 9.9 indicate the relative importance of the detailed attributes to overall satisfaction for spouses and veterans, respectively. "Mean satisfaction" indicates the mean—or average—satisfaction rating for that attribute. Exhibits 9.10, 9.11, 9.12, and 9.13 combine the rankings of relative importance and satisfaction scores for each attribute and sorts them into four quadrants of a priority matrix for spouses and veterans. The quadrant areas are determined by the horizontal line (representing "Importance") and the vertical line (representing "Satisfaction"). For veterans, the value for the horizontal line is 22.5 percent, and the value for the vertical line is 4.5, which is approximately the average overall satisfaction rating based on five attributes. For spouses, the value for the horizontal line is 22.5 percent, and the value for the vertical line is 4.63, which is approximately the average overall satisfaction rating based on four attributes.

The attribute that affects the overall satisfaction rating the most for veterans is the amount of the benefit. The attributes that contribute the least to overall satisfaction of veterans are the application process and VA staff. The attributes that affect the overall satisfaction rating of spouses the most are the amount of the benefit and counting net worth. The attribute that contributes the least to the overall satisfaction of spouses is the application process.

The quadrant labeled "Critical Improvement Area" represents the greatest potential for improvement in overall satisfaction. These attributes will need to be addressed for the overall satisfaction score to increase significantly. For spouses, the amount of benefit and counting net worth attributes fall into this area; for veterans, only amount of benefit falls into this quadrant. The lower-right quadrant labeled "Basics" contains the attributes that are of low importance for overall satisfaction but that have high satisfaction scores. This means that VA is meeting the needs of pensioners and does not need to improve them to increase satisfaction. The analysis for spouses indicates that the application process attribute falls into this area; for veterans, the application process and VA staff are in this quadrant. The quadrant labeled "Key Drivers" contains attributes that rank high in importance to the customer and in the customer's stated satisfaction score. VA needs to keep the satisfaction results high for the attributes in this quadrant to maintain a high level of overall satisfaction. Satisfaction with VA Staff falls into this quadrant for spouses; no attribute from veterans falls into this quadrant. The quadrant labeled "Low Yields" contains attributes that rank low in importance to the customer and in the customer's stated satisfaction score. Improving these attributes will not have a large impact on the overall satisfaction of the program. Attributes in this quadrant are "Counting net worth" and "Treatment of unreimbursed medical expenses" for veterans; spouses do not have any attributes that fall into this quadrant.

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Exhibit 9.8. Importance of Program Attributes for Veteran Pensioners

Satisfaction	Importance	Mean Satisfaction
Amount of benefit	32.7%	3.80
Application process overall	22.2%	4.73
Counting net worth	18.9%	4.28
Treatment of unreimbursed medical expenses	14.1%	4.41
VA staff	12.1%	5.00
Total/Overall	100.0%	4.41

Source: Q78, 80, 81, and 84 in Survey of Veteran and Spouse Pensioners and Study Team Analysis

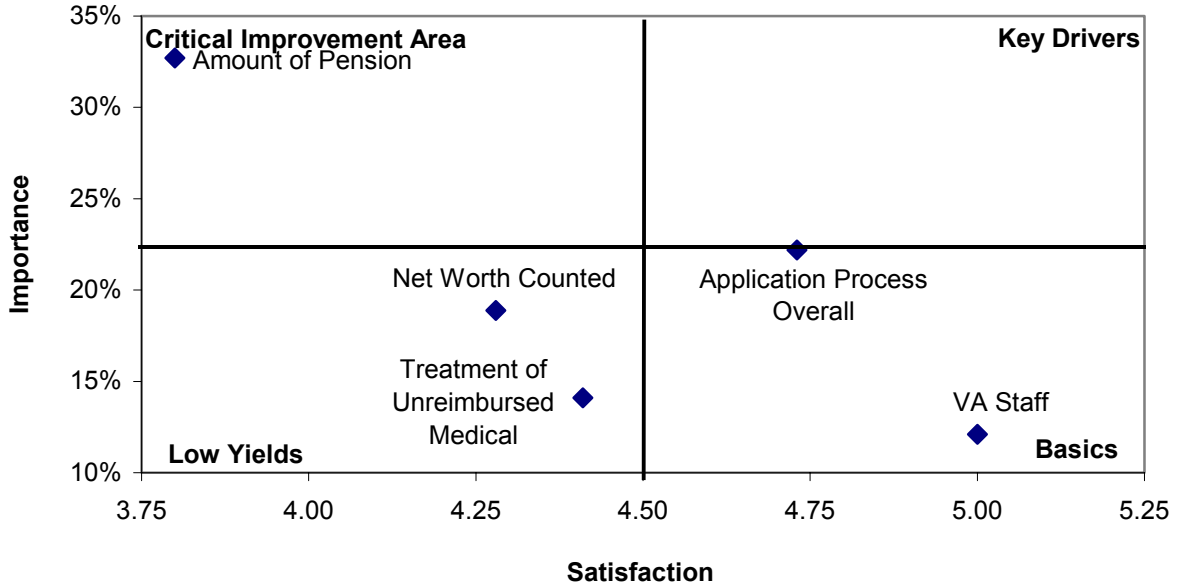
Exhibit 9.9. Importance of Program Attributes for Surviving Spouse Pensioners

Satisfaction	Importance	Mean Satisfaction
Amount of benefit	29.0%	4.03
Counting net worth	25.3%	4.48
VA staff	24.2%	5.11
Application process overall	21.5%	4.89
Total/Overall	100.0%	4.55

Source: Q78, 80, 81, and 84 in Survey of Veteran and Spouse Pensioners and Study Team Analysis

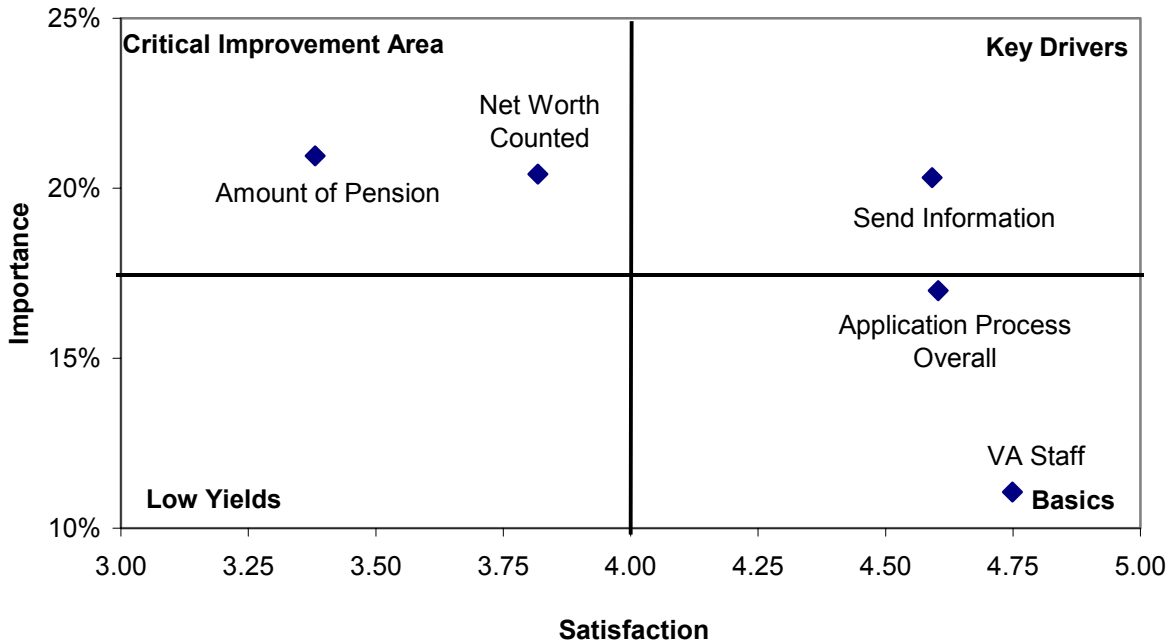
There are differences between the veterans with children and the general veterans sample. Veterans with children and the general sample both rate the amount of pension as a critical improvement area. The general sample rates net worth counted as a low yield, meaning that although the satisfaction level is low, it is not that important to them and does not have a large impact on increasing overall satisfaction. Veterans with children, however, rate net worth counted as a critical improvement area. Veterans with children indicate that the process of sending in information is a key driver. Satisfaction with VA staff and the application process overall are rated as basic.

Exhibit 9.10. Rankings of Importance and Satisfaction for Veteran Pension Beneficiaries



Source: Survey of Veteran Pensioners and Study Team Analysis

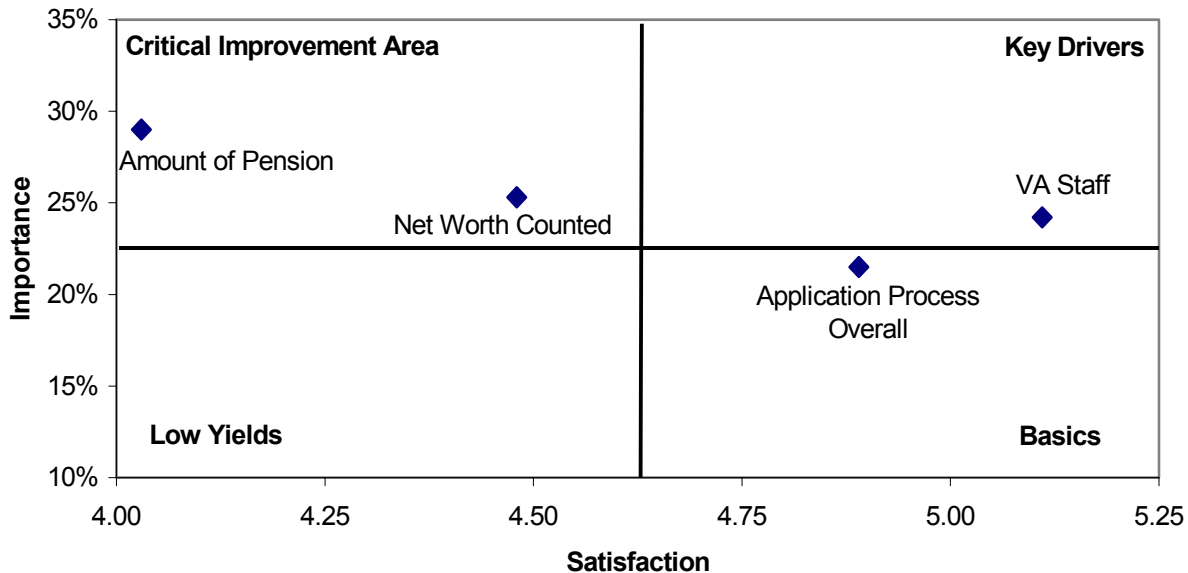
Exhibit 9.11. Rankings of Importance and Satisfaction for Veteran Pension Beneficiaries with Children



Source: Survey of Veteran Pensioners and Study Team Analysis

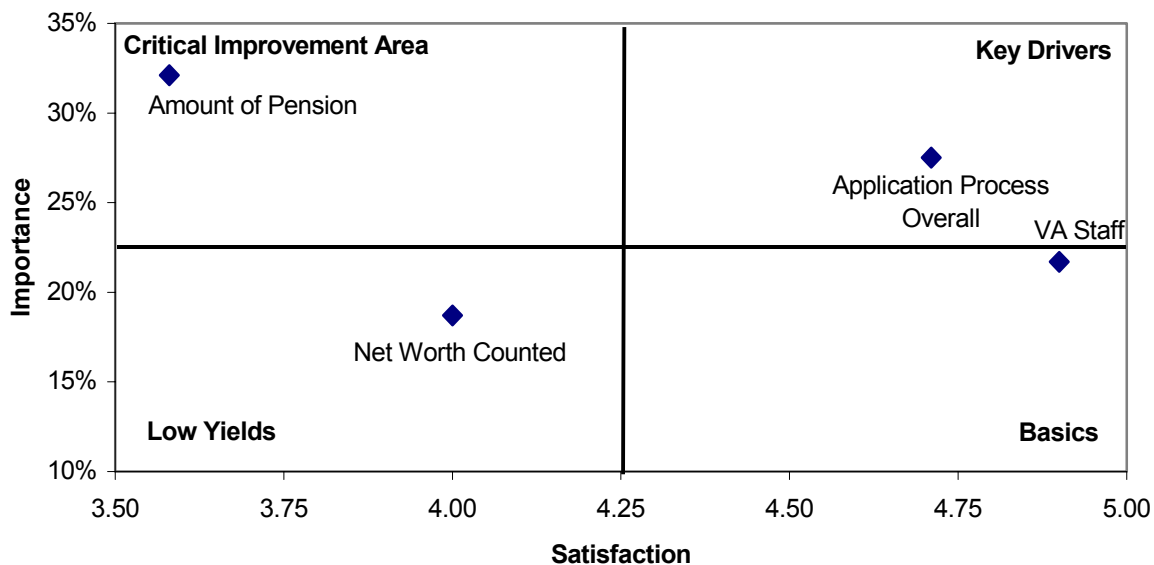
CHAPTER 9. SATISFACTION

Exhibit 9.12. Rankings of Importance and Satisfaction for Surviving Spouse Pensioners



Source: Survey of Spouse Pensioners and Study Team Analysis

Exhibit 9.13. Rankings of Importance and Satisfaction for Surviving Spouse Pensioners with Children



Source: Survey of Spouse Pensioners and Study Team Analysis

We compared the two subsets of the spouse sample, those with children present in the household and those who recently (within the past 2 years) began receiving the benefit, with the general spouse sample. There are no differences in the rankings of importance and satisfaction between the recent spouse sample and the general spouse sample. However, there are differences between the spouses with

children and the general spouse sample. Both the general sample and the sample with children rate the amount of pension as a critical improvement area. Spouses with children rate net worth counted as a low yield, meaning that although the satisfaction level is low, it is not that important to them and it does not have a large impact on increasing overall satisfaction. Satisfaction with VA staff is rated as basic and the application process overall is rated as a key driver.

D. SUMMARY

Nearly all pensioners are proud to be the veterans or the widow/widower of a veteran and believe that the VA Pension program provides recognition for the veterans' services to our country.

Overall satisfaction for the VA Pension program is between somewhat satisfied and satisfied, 4.4 on a scale of 1 to 6, for veterans and spouses. The VA staff has the highest satisfaction score (5). Other high-scoring program features are the application process overall (4.7 to 4.8) and sending information (4.6 to 4.7). Treatment of unreimbursed medical expenses, net worth, counting spouse's income for veterans, and counting the income of children scored lower but are still in the somewhat-satisfied range. The lowest satisfaction ratings are between somewhat dissatisfied and somewhat satisfied for the overall service experience, counting the proceeds of the sale of a home (as part of net worth), and amount of benefits received.

In explaining respondent characteristics contributing to satisfaction and dissatisfaction, increases in age are associated with increases in satisfaction for veterans and spouses. More educated spouses are less satisfied, and African American veterans are less satisfied than other veterans. The attributes that affect the overall satisfaction rating of spouses the most are the amount of the benefit and counting net worth. Although customer satisfaction of veterans with VA staff and the application process score high, they are not the major drivers of customer satisfaction. Rather, the amount of benefit is the principal driver. For spouses, the principal drivers are the amount of benefit and counting net worth. Therefore, the attributes that VA need to address for the overall satisfaction score to increase significantly for spouses are the amount of the benefit and counting net worth. For veterans, the only way to improve satisfaction is to increase the amount of the benefit.

CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

The purpose of the evaluation of the VA Pension program is to determine whether the program meets its legislative intent, the program outcomes, and the expectations of stakeholders efficiently and effectively. This chapter presents the conclusions made on the basis of the study findings presented in previous chapters and makes recommendations for the Department of Veterans Affairs (VA) and Congress to consider in improving program outcomes.

Based on our analysis of the legislation, the VA Pension program for veterans and surviving spouses is designed to provide needy veterans and spouses with an income—instead of welfare—that covers basic living expenses. Further, the program should not be a disincentive to work.

While these are the intents of VA's Pension program, the program benefit levels determine whether the pension benefit actually covers living expenses and whether pensioners need to turn to welfare to cover living expenses. Veterans' pension is funded to provide veterans with an income that places them above the poverty line. Consequently, most veterans' income from pension exceeds eligibility cutoffs for welfare cash assistance (TANF and SSI) and few veterans (2%) receive cash assistance. Spouses, in contrast, receive a pension that places them well below the poverty line, and about one-fourth of the spouses rely on welfare cash assistance (TANF and SSI) to help cover their living expenses.

Maximum pension benefit levels, effective December 2002, place single veterans at 108 percent of the poverty line and spouses at 73 percent of the poverty line.¹ Analysis of survey responses and administrative data reveal that only 17 percent of surviving spouse and 85 percent of veteran pensioners meet or exceed the poverty line. Overall, veterans fare better, but their income is still close to the poverty line. However, both veterans and spouses report unmet needs and cut back on necessities to cover living expenses.

Congress did not intend for the VA Pension program to serve as a disincentive for veterans and spouses to work. Most of the VA Pension population is elderly and unable to work. All veterans are over age 65 or totally disabled, and most spouses under age 65 are not looking for work due to disabilities and health problems. The deceased veteran previously supported these spouses, and their VA pension benefit provides income that would be expected to come from the deceased veteran if he or she were alive. The study findings indicate that the program is working as intended and is not providing veterans and spouses with an incentive not to work.

The outcomes established by VA for this program include access, income, basic security, and dignity. Our analysis reveals that the access goal is not being met because too few eligibles are being served. We estimate that 27 percent of veterans and 14 percent of the eligible spouses population participate in the VA Pension program. We have conflicting information from participants and nonparticipants about access. Participants report that it is easy to find out and apply for the program, while nonparticipants have no knowledge of the program's existence and find the application process daunting.

The income outcome that Congress established for this program is to assure a level of income above the minimum subsistence level, allowing veterans and their survivors to live in dignity and not have to resort to welfare assistance. Study findings show that the VA Pension program, while a substantial source of income, is not the only source of income for VA pensioners. Most pensioners receive Social

¹ The Federal Department of Health and Human Services poverty guideline for a single individual in the continental United States was \$8,860 in 2002. Each additional household member increases that amount by \$3,080.

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Security benefits. Even with Social Security benefits, pensioners cut back on basic living expenses—food, utilities, health care, and clothing—to make ends meet. This finding suggests that the pension benefit is not providing sufficient income to meet basic living expenses. When asked what living expenses they would pay for if they had some extra money, respondents most often say food. Younger pensioners and pensioners with children express a greater need for basic necessities, such as food, clothing, and housing. For instance, three times as many spouses with children skipped a rent or mortgage payment in the last 12 months (18%) versus all spouses (6%) (Appendix E, Table 75c). Many veterans (23%) and spouses (48%) receive some type of assistance (cash or non-cash) from welfare programs. Consequently, the VA Pension program does not meet the goal of preventing survivors from resorting to welfare.

While Congress indicated that the program should provide “a level of income above the minimum subsistence level,” it did not determine what that basic level of maintenance would be. Congress also established the income eligibility guidelines for the program to exceed the poverty line for veterans and to be below the poverty line for spouses. There is a significant inconsistency between the intent of Congress to provide a basic level of maintenance, the income eligibility cutoff, and the actual income of veteran and spouse pensioners. It is noteworthy that some Federal assistance programs do NOT use the poverty guidelines to determine eligibility. Temporary Assistance to Needy Families, the major Federal welfare program, and the Department of Housing and Urban Development’s HUD housing assistance do not use the poverty guidelines. HUD provides housing assistance on the basis of median income in the local area. Other programs that use the poverty guideline, such as the Food Stamp Program and the School Lunch Program, provide benefits to those who are 125 percent to 185 percent above the poverty line.

The VA Pension program provides some financial security to participants because it is a stable source of income. More than 90 percent of pensioners receive the benefit continuously and do not intermittently go on and off the program. However, pensioners do not consider their financial situation very secure. They rate the program as providing moderate to little security. About half of the veterans and spouses run out of money at least once a year. The problem is more acute for veterans and spouses with children—three-fourths of veterans run out of money and more than two-thirds of spouses run out of money. Thus, while the pensioners have security in knowing the next monthly check will come, the benefit amount was insufficient to cover living expenses for about half of them in the past year. One veteran told us that when he runs out of money, he eats frozen fried potatoes for the rest of the month; a spouse told us that she eats cream of wheat until the next check comes in. Through anecdotal comments from veterans and spouses during the telephone surveys, it is apparent that pensioners are very grateful to receive this benefit. However, they also struggle to make ends meet.

Our recommendations are predicated on the study team’s interpretation of the congressional intent, which is that the program should provide a level of income that places VA Pension program participants above the poverty line when counting nonwelfare income sources, and that they should not have to resort to welfare. The following recommendations are suggested to improve the VA Pension program.

Recommendation I: Given that the intent of the VA Pension program is to provide veterans and spouses with an income so that they do not have to rely on welfare, Congress should consider raising benefit amounts to be consistent with the benefit provided by USDA’s food assistance programs. This seems particularly appropriate because food is the greatest unmet need of pensioners—two-thirds of pensioners use food-related strategies to make ends meet and one-third say they would buy food if they receive extra money. USDA provides varying levels of food assistance to individuals who are at 125 percent to 185 percent of the poverty guideline. The VA pension eligibility cutoff for veterans and

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spouses places them at different percentages of the poverty line. Exhibits 10.1 and 10.2 present the eligibility cutoff (i.e., maximum pension amount) for veterans and spouses, respectively, as well as the percentages of the poverty line the cutoff implies for each status of recipient. For example, the eligibility cutoff for veterans who have no dependents, are not housebound, and are not in need of aid and attendance places them at 108 percent of the poverty line; the eligibility cutoff for spouses who have no dependents, are not housebound, and are not in need of aid and attendance places them at 73 percent of the poverty line.²

Exhibits 10.1 and 10.2 also report the eligibility cutoffs that would be needed to place veterans and spouses to at least 125 percent, 150 percent, and 185 percent of the poverty line.³ For example, to place veterans who have no dependents, are not housebound, and are not in need of aid and attendance to at least 125 percent, 150 percent, and 185 percent of the poverty line would require eligibility cutoffs of \$11,075, \$13,290, and \$16,391, respectively.

The study team simulated⁴ the effects on benefit costs of changing the eligibility cutoff to at least 125 percent, 150 percent, and 185 percent of the poverty line for veterans and spouses. These simulations are based on current veteran and spouse participation. If VA increases participation, costs will increase correspondingly for benefits. Likewise, serving more participants would require additional administrative funds. Exhibit 10.3 shows the additional program costs for changes in the eligibility cutoffs to at least 125 percent, 150 percent, and 185 percent of the poverty line. For example, for veterans, changing the eligibility cutoffs to at least 125 percent, 150 percent, and 185 percent of the poverty line will increase program costs by approximately \$460 million, \$1.24 billion, and \$2.48 billion, respectively. The program costs are calculated for each of the simulated eligibility cutoffs, using the veterans and spouses survey data, in the following steps:

- ◆ First, the award amount based on the eligibility cutoff is calculated as the cutoff minus countable family income (CFI) (e.g., this is \$11,075—CFI for the 125 percent of the poverty line eligibility cutoff for veterans with no dependents). This defines the simulated award amount.
- ◆ Second, if the veteran's or spouse's current award amount is less than the simulated award amount, the current award amount is set equal to the simulated award amount; if the veteran's or spouse's current award amount is greater than or equal to the simulated award amount, the current award amount is left as is.
- ◆ Third, the total value of benefits is then computed by summing up the award amounts for all recipients.
- ◆ Fourth, because the survey respondents are a sample of the total population of award recipients, this number must be adjusted upwards. This is done by multiplying the total value of awards for the survey respondents by the ratio of total program participants to the number of survey respondents.

² The study results show that 15 percent of the veterans receiving a pension benefit are at or below the poverty line, even though the current eligibility cutoffs are above the poverty line. Some veteran respondents support more household members than are claimed as dependents. In addition, the VA income for some respondents may be adjusted for overpayment in previous years.

³ This is calculated using the poverty guidelines for the 48 states in the U.S. mainland. For example, the eligibility cutoff for 125 percent of the poverty line is $(1.25) * (8,860 + [\text{family size} - 1] * 3,080)$.

⁴ These simulations are done by assigning recipients the greater of their current VA benefit amount or the VA benefit amount based on the percentage of the poverty line. The total VA benefits calculated from the survey are then multiplied by the ratio of program participants to survey respondents.

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Exhibit 10.1. Relationship Between Eligibility Cutoffs and the Poverty Line for Veterans, as of December 1, 2001

Status	Veterans				
	CFI ¹ Limit/Maximum Benefit Amount	% of Poverty Line	At least 125% of Poverty Line	At Least 150% of Poverty Line	At Least 185% of Poverty Line
Individual—no dependents	\$9,556	108%	\$11,075	\$13,290	\$16,391
Individual plus spouse or one dependent	\$12,516	105%	\$14,925	\$17,910	\$22,089
Housebound—no dependents	\$11,679	132%	Current rate is above 125% of poverty line	\$13,290	\$16,391
Housebound—one dependent	\$14,639	123%	\$14,925	\$17,910	\$22,089
Aid and Attendance—no dependents	\$15,945	134%	Current rate is above 125% of poverty line	Current rate is above 150% of poverty line	\$16,391
Aid and Attendance—one dependent	\$18,902	158%	Current rate is above 125% of poverty line	Current rate is above 150% of poverty line	\$22,089

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Exhibit 10.2. Relationship Between Eligibility Cutoffs and the Poverty Line for Spouses, as of December 1, 2001

Status	Spouses					
	CFI ¹ Limit/Maximum Benefit Amount	% of Poverty Line	At Least 100% of Poverty Line	At Least 125% of Poverty Line	150% of Poverty Line	185% of Poverty Line
Individual—no dependents	\$6,497	73%	\$8,860	\$11,075	\$13,290	\$16,391
Individual plus spouse or one dependent	\$8,507	71%	\$11,940	\$14,925	\$17,910	\$22,089
Housebound—no dependents	\$7,942	90%	\$8,860	\$11,075	\$13,290	\$16,391
Housebound—one dependent	\$9,948	83%	\$11,940	\$14,925	\$17,910	\$22,089
Aid and Attendance—no dependents	\$10,387	117%	Current rate is above 100% of poverty line	\$11,075	\$13,290	\$16,391
Aid and Attendance—one dependent	\$12,393	104%	Current rate is above 100% of poverty line	\$14,925	\$17,910	\$22,089

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Exhibit 10.3. Estimated Annual Benefit Payments for Eligibility Cutoffs of 100%, 125%, 150%, and 185% of the Poverty Line

Study Group	Program Costs				
	2002	100% of Poverty Line	125% of Poverty Line	150% of Poverty Line	185% of Poverty Line
Veterans	\$2.14 billion	N/A	\$2.60 billion	\$3.38 billion	\$4.62 billion
Spouses	\$575 million	\$983 million	\$1.44 billion	\$1.84 billion	\$2.42 billion

Recommendation 2: VA should improve access to the program so that veterans and spouses who are entitled to pension benefits receive them.

The rate of participation in the VA Pension program is so low that the program cannot meet its legislative intent. There are three barriers to participation in this program.

- ◆ First, veterans and spouses are not aware of the program.
- ◆ Second, even if they become aware of the program, their age, physical condition, educational level, health status, and general isolation make it difficult for them to pursue the application process and ongoing eligibility requirements.
- ◆ Third, low-income, elderly individuals tend not to be proactive self-advocates. Rather, they are willing to “make do” and not seek additional assistance from the Government.

Given these barriers, the following suggestions for increasing participation are offered for consideration.

Application Improvements

Despite the nature of the eligible population, it is still VA’s responsibility to increase awareness of the program and to assist applicants in the completion process. We recommend that VA clarify and simplify the application for pension and that VA’s national and regional offices improve outreach procedures. The following specific actions are suggested for VA consideration for improving the application process:

- ◆ Include information on who is likely to be eligible on the basis of income, assets, and unreimbursed medical expenses (UMEs) so that individuals can determine if it is worth their while to apply.
- ◆ Include information on whether eligibility for other programs would be affected by VA pension eligibility and whether an individual would be better off not applying for the VA Pension Program.
- ◆ Provide detailed information on VA’s duty to help applicants obtain proof of wartime military service if the applicant does not have it, and how long it will take.
- ◆ Include all income on the application that is later verified on the Eligibility Verification Report (EVR). Make it clear to applicants so that they understand what has to be reported.
- ◆ Include all deductions, including medical expenses, on the application so that applicants are informed of how to report this information and what documentation is necessary to prepare the application, submit the application, and verify the application, if challenged.

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- ◆ Accept monthly reporting of medical expenses instead of yearly reporting. This may require an increase in VA employees administering the Pension program. Considering that the administrative cost of VA's programs as a percentage of total program costs are lower than other assistance programs such as food stamps, SSI, TANF (Appendix F), an increase in staffing seems justified.

We suggest that VA conduct focus groups and cognitive interviews with nonparticipants to establish an empirical basis for these improvements. This is essential to assure that the application is readily understood by potential eligibles. This task is challenging because all legislative and regulatory requirements must be included, but at the same time, the application has to be presented in simple language and in an easy-to-understand format. After making improvements, VA should consider pilot-testing the improvements to ensure that they are effective. We estimate that such a project would cost \$150,000 to \$300,000 if VA contracted for it. Otherwise, it could be accomplished by in-house staff as part of VA's administrative budget for the program. The latter approach would require a reallocation of existing resources, thereby reducing other efforts current resources are engaged in.

Awareness and Outreach

Our suggestion for improving awareness is for VA to communicate about this program more broadly through two means—the media, through public service announcements (PSAs), and direct communication with those who may be eligible. Focus group participants told us they never had any direct contact from VA about the VA Pension program and that they never saw any PSA about its existence. They identified specific types of media that would reach them, such as military-themed movies, national sports events, and television newsmagazine shows. While this information is useful, television viewership is available by population segment. VA should consider using market segment analysis to identify the most beneficial media outlets in which to release PSAs. Announcements should target low-income, elderly individuals, as well as those who care for them and manage their affairs.

Focus group participants in this study emphasize that announcements about the VA Pension program would have to be transmitted in a way that confirms their legitimacy—either directly from VA or through another Federal program that they pay attention to, such as the Social Security Administration (SSA) or the Internal Revenue Service (IRS). Focus group participants stress the necessity of Federal letterhead, logos and/or insignia to convey legitimacy. We recommend that VA develop a better outreach program. Some suggestions for VA include “piggybacking” VA Pension information with correspondence already being sent through other Federal agencies. VA may review its community-based outreach programs, improve how information about its pension program is conveyed, and determine whether the outreach appropriately targets elderly, low-income individuals or their caregivers. VA may want its regional offices to coordinate with local aging programs and local agencies that assist low-income elderly people to disseminate information about the program.

Another possibility for VA to consider is coordination with other Federal agencies that are responsible to serve the low-income elderly, such as the U.S. Department of Health and Human Services (HHS), the U.S. Department of Agriculture, and HUD. Given the findings of this study, Congress should consider establishing an interagency task force on meeting the needs of the low-income elderly, whose charter would be to leverage all of the Federal government's resources effectively to better assist the low-income elderly population, including veteran and spouse pensioners. One outcome of such a task force, for instance, might be that those eligible for a VA pension receive all their assistance from VA instead of

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relying on a patchwork of multiple programs to streamline benefits and reduce the burden on applicants. Another outcome might be a coordinative role across agencies so that eligibles have concurrent eligibility for more programs, rather than having to apply for benefits separately under each program.

The cost of implementing these recommendations includes a reallocation of VA's existing funds plus additional funds to implement the procedures. If the outreach is effective, Congress will have to increase VA's administrative funding so that VA can increase its staff to respond to inquiries, process applications, and maintain benefits for additional eligible participants. Congress will also have to appropriate additional funds to cover the cost of the benefits paid to those currently not receiving them.

It is not possible to estimate the cost for outreach efforts more precisely because we do not know how effective the proposed recommendations will be. Therefore, we suggest that VA pilot-test the procedures in a few localities to determine whether they are cost-effective before proceeding on a larger scale. Such pilot tests would reveal which procedures work best and how many eligible participants will actually enter the program, providing another basis for estimating VA's workload and the cost of additional benefit payments.

We estimated the average benefit that would be paid if the Pension program reached more veterans and surviving families in FY2005. The method for determining the unserved population is described in Chapter 3. The average benefit for the unserved population was developed by comparing the income limits to the amount of income for veterans and surviving families that composed the unserved population. Exhibit 10.4 shows the estimated served and unserved populations in FY2005. Average estimated benefits for the unserved are larger than benefits received by the served. The served and unserved populations differ in the proportion of younger spouses with children and the number of older pensioners receiving housebound or aid and attendance benefits.

Exhibit 10.4. Projected Served and Unserved Eligible Pension Population, FY2005⁵

Description	Veterans	Surviving Families
Served Population FY2005		
Number Served	331,000	166,000
Average Benefit	\$7,800	\$4,800
Unserved Population FY2005		
Number Unserved	853,000	1,140,000
Average Benefit	\$14,000	\$9,100

Exhibit 10.5 shows the projected cost of providing benefits to the served plus a proportion of the unserved population assuming that the average benefit for the unserved electing benefits is the same as for the total unserved population. For example, the total benefits paid to the currently served plus 25 percent of the unserved population would be \$5.6 billion.

⁵ Rounded to nearest thousand and billion

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Exhibit 10.5. Projected Cost of Increased Participation by Unserved Eligible Pension Population, FY2005⁶

Description	Veterans	Surviving Families
Total if Population Trends Remain the Same in FY2005		
Total Participation	331,000	166,000
Total Cost of Pension Benefits	\$2.6 Billion	\$0.8 Billion
Total if 25% of Unserved Population Also Receive Benefits in FY2005		
Number of Pensioners	540,000	450,000
Total Cost of Pension Benefits with 25% Unserved	\$5.6 Billion	\$3.4 Billion
Total if 50% of Unserved Population Also Receive Benefits in FY2005		
Number of Pensioners	760,000	740,000
Total Cost of Pension Benefits with 50% Unserved	\$8.6 Billion	\$6.0 Billion

Exhibit 10.6 shows the combined effect of both increasing participation and relaxing eligibility criteria (increasing the eligibility cutoff to increase income), assuming that the increase in the total benefits for 2002 in 2005 as shown in Exhibit 10.5 would be the same as the increase in the estimated annual benefits as shown in Exhibit 10.3. For example, the estimated total cost of benefits if 25 percent of the unserved veteran population receives benefits and the payments are based on 125 percent of poverty rather than 100 percent of poverty is \$5.6 billion times the ratio of 1) \$2.60 billion to 2) \$2.14 billion for a total of \$6.8 billion. Note that neither Exhibit 10.3 nor Exhibit 10.6 includes an estimate of the increase in the number of participants that would result from increasing the eligibility cutoff; nor does either exhibit include the increased administrative cost that VA would incur to serve additional pensioners.

⁶ Rounded to nearest thousand and billion;

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Exhibit 10.6. Projected Cost of Both Increased Participation and Increased Income Eligibility in the Pension Program, FY2005⁷

Description	Veterans	Surviving Families
Total Cost if 25% of Unserved Population Also Receive Benefits in FY 2005	\$5.6 Billion	\$3.4 Billion
Total Benefit Cost if 25% of Unserved Population Also Receive Benefits in FY2005 and Income Eligibility Cutoffs Are Increased to:		
100% of Poverty	\$5.6 Billion	\$5.8 Billion
125% of Poverty	\$6.8 Billion	\$8.5 Billion
150% of Poverty	\$8.8 Billion	\$10.9 Billion
185% of Poverty	\$12.0 Billion	\$14.3 Billion
Total Cost if 50% of Unserved population Also Receive Benefits In FY 2005	\$8.6 Billion	\$6.0 Billion
Total Benefit Cost if 50% of Unserved Population Also Receive Benefits in FY2005 and Income Eligibility Cutoffs Are Increased to		
100% of Poverty	\$8.6 Billion	\$10.2 Billion
125% of Poverty	\$10.4 Billion	\$15.0 Billion
150% of Poverty	\$13.5 Billion	\$19.1 Billion
185% of Poverty	\$18.5 Billion	\$25.2 Billion

Recommendation 3: VA should encourage pensioners to submit medical expenses throughout the year instead of its current policy of asking needy pensioners to accumulate unreimbursed medical expenses at the end of the year. The income level of participating pensioners is too low to expect them to carry the costs of medical expenses until the end of the year. The effect of this recommendation is that VA will have to spend more resources to process medical claims throughout the year instead of bundling them together at the end of the year. We cannot precisely estimate how much additional effort this will impose on VA because we can neither reliably predict how many individual claims will be made nor predict how many pensioners will submit additional claims. We would guess that, at a minimum, VA would quadruple its UME claims processing. Congress would have to increase VA's administrative funding to implement this recommendation, or VA would have to scale back on other activities it currently performs and allocate additional resources to UME claims processing.

⁷ Rounded to nearest thousand and billion