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# Evaluation of VA Pension and Parents' DIC Programs

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## PARENTS' DIC PROGRAM FINAL REPORT

By

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Economic Systems Inc.  
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**December 22, 2004**

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# EXECUTIVE SUMMARY

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## INTRODUCTION

The Parents' Dependency and Indemnity Compensation (DIC) program was established in 1956 under Public Law 84-811 as a need-based income support program for the surviving parents of veterans who died in service or after service as a result of service-connected disabilities. The payment of compensation is based on the theory that the veteran's death not only results in a personal tragedy due to the loss of a child, but also the loss of income support to the veteran's parents during the following phases of the parents' lives:

- ◆ The parents' working years due to poor economic conditions or their inability to work
- ◆ The parents' elderly years when they no longer earn an income.

To be eligible for Parents' DIC, parents must meet countable family income (CFI) limits. There are no net worth requirements for this program.

The number of surviving parents receiving Parents' DIC benefits in Fiscal Year (FY) 2002 is 9,384 for an annualized total of \$22,076,330 in benefits. The average annual amount of benefits is \$2,353<sup>1</sup> per parent.

## STUDY PURPOSE

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

- ◆ Statutory intent
- ◆ Intended outcomes
- ◆ The expectations of parents, 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
- ◆ Identifies and reports on the interrelationship of the Parents' DIC program with other income support programs available
- ◆ Examines other pertinent issues related to the Parents' DIC program.

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<sup>1</sup> This study includes a survey of parents who participated in the program as of June 2002. At that time, average annual benefits were \$2,248 for the nationally representative survey sample. VA encourages participants to submit medical expenses at the end of the year, increasing benefit levels at that time.

### STUDY METHODS

The Department of Veterans Affairs (VA) 's Office of Policy, Planning and Preparedness contracted with ORC Macro as the prime contractor for the study, with support from two subcontractors—Economic Systems Inc. and the Hay Group. The evaluation used a multimethod approach including stakeholder consultations; literature reviews of legislation, regulations, and court cases; analyses of administrative data; forecasting using multiple data sets; reviews of other assistance programs; analyses of related survey and administrative records; and a computer-assisted telephone survey of 1,237 parents participating in the Parents' DIC program as of June 2002.

### STUDY FINDINGS

Unless otherwise noted, the study findings concerning percentages of parents are based on the survey results.

#### 1. Outcomes and outcome measures

VA established the following single outcome for the Parents' DIC program:

- ◆ Parents' DIC payments bring a measure of security to low-income parents of veterans whose deaths were related to military service.

Our review of the legislative history of the Parents' DIC program indicates that it is intended to help surviving parents maintain a reasonable standard of living by supplementing other sources of income. However, the legislation for the Parents' DIC program does not provide a specific standard, such as meeting or exceeding the poverty line.<sup>2</sup>

#### 2. Parents' DIC in lieu of support provided by veterans

This program is predicated on the assumption that parents would have received support in their later years from the veteran if he or she were alive. Nearly half (48%) of parents report that they received financial support from the deceased veteran when he or she was alive. This is significant because it indicates that parents were in need before they reached their elder years and that their veteran child was providing financial support. Parents who can recall the contribution of the veteran state that it was an average of \$2,569 per year, which is close to the average annual DIC payment in 2002 for surveyed parents: \$2,248. However, since parents have received DIC benefits for an average of 13.6 years, the value of the DIC benefit is far lower than the support received from the deceased veteran due to inflation, assuming that the average income reported holds for all parents who received support.

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<sup>2</sup> The poverty line is based on the Department of Health and Human Services Poverty Guidelines. 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 2002 poverty line is \$11,080 + \$3,850 for each additional family member. For families in Hawaii, the 2002 poverty line is \$10,020 + \$3,540 for each additional family member.

### 3. Access, participation, and nonparticipation

Parents learn of the Parents' DIC program primarily from VA. Veteran Service Organizations are the second most frequent source of information for the program. Program participation declined from 9,384 in 2002 to 8,803 in 2003; the number of participants is expected to decline further, given the low level of new enrollments. We estimate that only about 8 percent of eligible parents participate. Nearly one-third of the participants were eligible for 6.4 years before they applied and began receiving benefits. The most commonly cited reason for the delay is lack of awareness—nearly half of the individuals who applied years after they were first eligible state that they were not aware of the program. This group comprises 15 percent of all parents surveyed.

### 4. Parents' profile

The profile of Parents' DIC participants indicates that most beneficiaries are White women in their mid-to-late seventies who have been widowed for some time and are not highly educated. Close to half of the parents received financial support from their deceased veteran son or daughter before his or her death. The majority of parents interviewed (65%) are widowed for an average of 22 years. Parents are also in fair to poor health, suffering from an average of four serious health problems concurrently. Two-thirds of all the parents surveyed (67%) have a physical limitation that impacts their activities of daily living. Half (50%) of all the parents surveyed require assistance to cope with physical limitations, including needs for daily assistance in completing tasks that contribute to managing their self-sufficiency and independence. A majority of parents live by themselves, and those who live with other people have adult children who are not in school and have grandchildren residing with them. Almost 60 percent of the parents live in a house, and 48 percent are homeowners.

Parents have health care coverage primarily through Medicare and use health care services. A small minority of parents (4.2%) have no health care coverage, and less than 1 percent report that they do not use any health care services because they cannot afford it. The remaining parents visit emergency rooms, pay out of pocket, or use public health clinics. Parents' DIC participants use the following primary health care services: doctor visits, prescription medicines, eye exams or glasses, and laboratory tests. The least used types of care include dental care, home health aides, and visiting nurses.

Given their age, most DIC parents are not employed. Among the 10 percent of participants who are under age 65 and are not employed, health and disabilities are the reasons cited most often for unemployment (78%). Most parents do not receive benefits from other Federal need-based, means-tested programs. About one-third of the parents receive assistance from Federal means-tested programs, even though income levels would qualify most of the parents for this type of assistance.

### 5. Parents' assets, expenses, and debt

The results of the Parents' DIC survey show that parents have few assets beside their home (38%) and vehicles (16%). Most parents (56%) do not own a home or have any other assets valued over \$1,000. Only 2 percent state that they have investments, although 17 percent report some type of savings that they can use to pay for living expenses. The average amount of savings among these parents is \$3,003. Less than 1 percent of the parents have land that they can potentially use for income. Among those parents, many say that the land is not productive.

Parents were asked to report their three largest living expenses. Respondents most often list utilities, food, housing, health care, and taxes as their largest living expenses. Those who list these expenses pay



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the most for housing (\$3,345) and for medical care (\$2,495). The primary income source among parents is Social Security, with 83 percent of parents receiving Social Security. Social Security and Parents' DIC are the sources that parents primarily use to pay for expenses. A substantial minority of parents do not meet their living expenses through these resources—they cut back, do without, or rely on family or friends to obtain basic necessities. One-fourth of parents receive financial assistance from someone else to help them meet their living expenses. In most instances, an adult child provides the financial assistance. This assistance helps parents pay for food, utilities, and housing.

Two-thirds of parents have no debt, and one-third of parents are using their income to pay off debt and cover current living expenses. Parents have debts from credit cards, unpaid health care expenses, car loans, personal loans, and mortgages. The average debt among those with debt is \$9,158. Debt is inversely related to age—younger parents have more debt and older parents have less debt. One-fourth of all parents say that they indebted themselves to pay for living expenses.

Parents have few resources, beyond their Social Security and DIC incomes, to pay for routine living expenses and unexpected needs.

### 6. Parents' income

The primary source of income for parents who receive DIC benefits is Social Security. Most parents (83%) receive income from Social Security, which comprises 69 percent of their income. The next largest source of income for parents is the Parents' DIC program. The average total income for parents is \$7,926. Although they are likely to be eligible for other Federal assistance programs, fewer than half (41%) of parents receive assistance from other Federal need-based programs.

In comparing the Parents' DIC participants with the general elderly means-tested population who receive assistance from Federal programs, DIC parents are worse off. Fewer DIC parents receive other Federal benefits, more are at or below the poverty line, and have lower total incomes. In addition, DIC parents are less likely to have earned income and other retirement income than the general means-tested population.

The amount of Parents' DIC benefits that participants receive is driven by the program's eligibility formula. The characteristics of recipients receiving lower amounts of DIC benefits include being married, male, healthy, White, older, having an asset worth more than \$1,000, and having debts. Parents who received financial support from the veteran when he or she was alive receive higher DIC benefits. (Appendix A contains a detailed description of the multivariate methodology and the levels of statistical significance obtained.)

Comparing the survey results with administrative records, 38 percent of parents have unreimbursed medical expenses (UMEs), but only 26 percent reported them to VA in the first 6 months of 2002. Parents who do not report UMEs receive \$1,396 less than those who do. The timing of the survey and the administrative files may artificially inflate this impact, but at a minimum, the policy of submitting UMEs at the end of the year is financially burdensome to parents and may result in UMEs not being submitted at all.

The Parents' DIC program provides a stable source of income and thus can be expected to provide some financial security to program participants. Most parents receive the benefit continuously after enrolling, and the benefit level remains stable.

### 7. How program operations affect outcomes

VA's outreach activities primarily target veterans and secondarily surviving spouses and dependents. No specific outreach is identified for Parents' DIC, nor do VA's outreach procedures target the profile of the current Parents' DIC participants—low-income elderly widows. Hence, the current outreach procedures of the Parents' DIC program are not effective.

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

Some specific program information is not relayed effectively to the applicants and participants. Examples of areas for improvement include the following:

- ◆ Lack of clarity in conveying what can be included or deducted from total household income to determine eligibility and the benefit amount. This may result in some applicants not receiving the income support to which they are entitled and applicants deciding not to apply for Parents' DIC benefits due to assumptions that their incomes are too high.
- ◆ Inconsistent specificity in the initial application and the annual Eligibility Verification Report (EVR) may lead to some inappropriate denials and some benefit overpayments.
- ◆ No request for information about eligibility for aid and attendance benefits in the EVR. This information is only requested on the initial application. As parents age, their needs are likely to change and they may qualify for aid and attendance, but they may not seek the benefit because the EVR does not inform them of its existence.
- ◆ The narrative in the EVR form, under "Family Medical Expenses," states the following: "If you are using this form as a supplement to a pending claim, you do not need to report medical expenses. If the entitlement is established, you will have an opportunity to report your medical expenses at the end of the year." Considering that Parents' DIC participants are low-income and do not have the financial capacity to carry medical expenses until the end of the year, we suggest that VA policy allow parents to submit medical expenses as they are incurred, rather than waiting until the end of the year.

### 8. Parents' needs

Parents report limited or nonexistent financial security, despite receiving the DIC benefit. Parent beneficiaries believe that their Parents' DIC benefit provides either moderate or little financial security. Even among the largest award beneficiaries, less than half view the benefit as providing a strong sense of security.

Only 41 percent of the parents surveyed can afford only the basic necessities, having little or no money for other expenses, while 20 percent indicate that their lifestyle is defined by having to make sacrifices and cut back on necessities. Of the parents surveyed, 30 percent indicate that they experienced either difficulty paying for or had not been able to pay for various living expenses during the past 12 months.

The analysis indicates that many parents experience a constant shortage of financial resources for basic living expenses such as utilities, food, clothing, and basic health care. Depending on the necessity, one-third to more than one-half of the parents are in an ongoing search for a means to stretch their

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resources due to monthly income shortfall. Almost three-fourths of parents devise strategies to cut basic necessities—food, shelter, utilities, health care—to a minimum or not to obtain them at all.

The financial security of some parents is so fragile that their lifestyle moves between a series of strategies to stretch their resources when their money runs out, something that 44 percent of the parents experienced at least once during the past 12 months. Among those who previously relied on the support of a veteran, 55 percent had to cut back on paying for living expenses at least once during the past year. These strategies center on living expenses that parents have a difficult time covering, such as food, utilities, shelter, and health care.

Food-related strategies are the strategies DIC parents use most often to make ends meet until they receive their next monthly check. More than half of the parents surveyed (56%) sacrifice their nutrition and perhaps long-term health on a more frequent basis to have money to pay for other basic necessities. Food-related strategies include eating inexpensive foods instead of balanced meals, cutting the size of meals, and other strategies. Parents indicate that buying food is the second thing (after buying clothing and shoes) they would do if they had more money.

Parents cut back on basic health care to conserve money or do not obtain health care when their financial resources are depleted. Thirty-seven percent of the parents use health care-related strategies to compensate for not having enough money to cover basic living expenses. These strategies include using samples instead of buying prescriptions, not taking full dosages and not getting prescriptions filled. Lack of funds for health care is a serious concern for DIC parents. They are afflicted with an average of four major health problems and have physical limitations that impact their activities of daily living and quality of life.

Some parents cannot afford to pay for heating and cooling. About 16 percent report that they cut back on heating and cooling because they do not have enough money to pay for these expenses. Other indications of financial difficulty include nearly one-fourth of the parents not buying new clothing and shoes, staying at home due to unaffordable travel expenses, and indebtedness to family and friends for expenses. Twelve percent use credit cards to pay for living expenses and then make the minimum payment, thereby incurring greater debt.

DIC parents are not just cutting out food or limiting health care. A number of strategies are used concurrently as parents try to pay for living costs when their DIC benefit (as well as other financial resources) run out before the end of the month. The parents who previously relied on the support of a veteran before that child's death (nearly one-half of those surveyed) are more financially stressed, and a higher percentage of this group use these strategies to make ends meet.

### **9. Parents' satisfaction**

Most parents are proud to be the parent of a veteran and believe that the Parents' DIC program provides recognition for the loss of their child.

Overall satisfaction for Parents' DIC is between somewhat satisfied and satisfied, 4.29 on a scale of 1 to 6. Average scores are generally below 5 (satisfied). Highest satisfaction scores are as follows: for VA staff (4.91), the application process overall (4.72), and sending in information (4.59). Treatment of UMEs (4.33) and overall service experience (4.29) are scored as somewhat satisfied. Lowest satisfaction ratings are between somewhat dissatisfied and somewhat satisfied for the amount of benefits received

(3.57) and counting the income of spouses (3.97). These ratings present a mixed picture of satisfaction. All of the ratings, except for two, are above 4.0, indicating some satisfaction with the program.

In reviewing respondent characteristics contributing to satisfaction and dissatisfaction, older parents and male parents are less satisfied; White parents and parents with lower education levels are more satisfied. The attributes that are most important in explaining the overall satisfaction rating are the amount of the benefit and counting of spouse's income. Although customer satisfaction of parents with VA staff and the application process score high, they are not the major drivers of customer satisfaction. The attributes that contribute the least to overall satisfaction are the application process, the VA staff, and the requirement of sending in information. To improve satisfaction, Congress would have to increase the benefit amount and not count spousal income. VA's methods for processing the applications, staff interactions, and information requirements do not significantly affect satisfaction, so VA does not need to improve these areas to increase satisfaction.

## CONCLUSIONS

The following conclusions are drawn from the study findings:

- ◆ The Parents' DIC program is meeting the only outcome established by VA—the program is providing a “measure” of security to Parents' DIC participants. It provides about one-third of their income.
- ◆ The Parents' DIC program is meeting the Congressional intent by adding an additional financial resource to Social Security to provide income to parents. However, the Parents' DIC program is not meeting the Congressional intent of providing “reasonable maintenance” because it does not provide sufficient income, in combination with other sources, to meet the basic living expenses of DIC parents. Most participants (79%) are at or below the poverty line, and 56 percent use a variety of strategies to make ends meet. Unmet needs include clothing, food, heat, transportation, and health care.
- ◆ The Parents' DIC program is not meeting program goals because too few (8%) eligible participants are being served. VA needs to improve its outreach to parents.
- ◆ The Parents' DIC program is consistent with Congress's assumption that veterans would have provided for their parents in time of financial need. Close to one-half (49%) of the parents report that their veteran son or daughter provided financial support to them before his or her death. These veterans provided financial support before parents reached retirement age (65); veterans who died when their parents were younger are not available to provide financial support during their parents' old age.
- ◆ VA operates the program so that administrative processes generally support program goals and desired outcomes. Areas where VA can improve are outreach, information provided on initial applications, adding aid and attendance to the EVR, and continuous processing of medical expenses.
- ◆ The Parents' DIC program is meeting Congressional intent in that it does not displace work. Only 10 percent of parents are under age 65; most of the younger parents who do not work are not working due to health problems.

### RECOMMENDATIONS

The following recommendations are offered to improve the Parents' DIC program:

- ◆ Congressional intent for this program needs to be established as a specific level of income rather than “reasonable maintenance.” Congressional intent also needs to be clarified concerning whether Congress expects DIC parents to seek welfare as an income source or whether DIC is provided instead of welfare assistance.
- ◆ Given the study result that 79 percent of the parents are at or below the poverty line,<sup>3</sup> Congress should consider increasing the DIC benefit to at least the poverty line or to some other level defined as “reasonable maintenance.”
- ◆ VA should improve its outreach so that all parents who are entitled to Parents' DIC receive the benefit.
- ◆ VA should make minor improvements to its application to clarify income reporting requirements.
- ◆ VA should encourage parents to submit medical expenses throughout the year instead of its current policy of asking needy parents to accumulate UMEs at the end of the year.

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<sup>3</sup> The Department of Health and Human Services (HHS) poverty guidelines 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 a percentage multiple of the HHS poverty guidelines to determine program eligibility (for example, 125% or 185% of the 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.

# CHAPTER 1. INTRODUCTION

## A. WHAT IS THE PARENTS' DIC PROGRAM?

The Parents' Dependency and Indemnity Compensation (DIC) program was established in 1956 under Public Law 84-811 as a need-based income support program for the surviving parents of veterans who died in service or after service due to service-connected disabilities. The payment of compensation is based on the theory that the veteran's death not only results in a personal tragedy, due to the loss of a child, but also in the loss of income support to the veteran's parents. Service members and veterans may provide income support in the following two circumstances:

- ◆ During the parents' working years—due to poor economic conditions or the parents' inability to work for other reasons
- ◆ During the parents' elderly years when they no longer earn an income.

To be eligible for Parents' DIC program, parents must meet countable family income (CFI) limits, as shown in Exhibit 1.1, and be an eligible parent. There are no net worth requirements for this program.

**Exhibit 1.1. Annual CFI Limits—Parents' DIC Program (As of December 1, 2002)**

Parent Status	CFI Limit
<b>Sole surviving parent—not remarried</b>	\$11,024
<b>Sole surviving parent—remarried, living with spouse</b>	\$14,817
<b>One of two surviving parents—not living with spouse</b>	\$11,024
<b>One of two surviving parents—living with spouse or other parent</b>	\$14,817

Source: VA Web site

As shown in Exhibit 1.2, the number of surviving parents receiving Parents' DIC benefits in Fiscal Year (FY) 2002 was 9,384, for an annualized total of \$22,076,330 in benefits. The average annual amount of benefits was \$2,353 per parent.

**Exhibit 1.2. Total Number of Recipients of Parents' DIC Benefits FY 2002**

Marital Status	Number of Recipients	Total Annual Amount	Average Annual Amount
<b>No spouse</b>	6,822	\$18,058,380	\$2,647
<b>Spouse</b>	114	\$204,776	\$1,796
<b>Apart</b>	1,402	\$2,672,156	\$1,906
<b>Together</b>	962	\$1,033,303	\$1,074
<b>Remarried</b>	84	\$107,715	\$1,282
<b>Total</b>	<b>9,384</b>	<b>\$22,076,330</b>	<b>\$2,353</b>

Source: Benefits Delivery Network-RCS 20-0221<sup>1</sup>

<sup>1</sup> Source: Benefits Delivery Network-RCS 20-0221. The Parents' DIC population at the time the survey sample was drawn (June 2002) was 8,347 participants.

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Monthly benefits are related to the amount of the surviving parents' CFI<sup>2</sup> and to certain maximum limits on CFI, depending on whether the surviving parents are both still living and married to each other or have remarried. The maximum CFI limit for a sole surviving parent is \$11,024. The maximum CFI limit for two surviving parents living together is \$14,817. Sole surviving parents receive a maximum monthly benefit of \$464. The maximum benefit amount is decreased for the sole surviving parent by \$0.08 for each additional dollar of annual CFI above \$899. Maximum monthly benefit amounts and CFI limitations are indexed to annual Social Security cost-of-living adjustments so that an increase in Social Security benefits will not cause an equivalent decrease in Parents' DIC benefits.

### **B. WHAT ARE THE PURPOSES OF THE EVALUATION?**

The purpose of this study is to conduct an objective third-party determination of whether the Parents' DIC program<sup>3</sup> 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 Parents' DIC program with other income support programs available
- ◆ Examine pertinent issues related to the program.

The detailed list of study topics is shown in Exhibit I.3.

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<sup>2</sup> Some items of income are excluded in determining CFI. These include death gratuity; donations from public or private relief or welfare organizations; other payments of VA death or disability compensation; Social Security death benefits, 10 percent of payments from private or public retirement programs; amounts paid by a parent for the deceased veteran's last illness and burial; amounts paid by a parent for a deceased spouse's just debts, last illness, and burial; reimbursement for casualty losses; profit from the disposition of real or personal property other than in the course of a business; payments received from discharge of civic duties; payments of annuities elected under the Department of Defense (DoD) survivor benefit programs; and unusual medical expenses.

<sup>3</sup> The scope of this evaluation includes the Department of Veterans Affairs (VA)'s two need-based programs: Parents' DIC and the VA Pension program for veterans and surviving spouses. This report addresses the Parents' DIC program; a separate volume addresses the evaluation of the VA Pension program.

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

<b>Antecedents</b>	1. Assess situations before and after participation in programs.
<b>Description</b>	2. Describe and profile program participants.
<b>Outcomes</b>	3. Assess adequacy of program outcomes and outcome measures.
	4. Assess extent to which statutory intent, program outcomes, and targets are being met.
<b>Needs</b>	5. Identify needs of participants—met and unmet—and factors associated with differential needs.
<b>Medical Care</b>	6. Examine participants' sources of medical care—VA and non-VA—and identify unreimbursed medical care and impacts.
<b>Employment</b>	7. Assess effects of program structure on employment decisions.
<b>Net Worth</b>	8. Assess impact of net worth restrictions on applicants.
<b>Satisfaction</b>	9. Assess participant satisfaction.
<b>Relationship to Other Programs</b>	10. Assess interrelationships between the VA programs and other Federal programs (entitlement, healthcare, etc.) to determine how well these programs complement one another.
<b>Operations</b>	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 those of 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.
<b>Projections</b>	12. Project future program participation, given the changes in participant demographics and the labor market.
<b>Nonparticipation</b>	13. Assess the reasons for nonparticipation.



## CHAPTER 1. INTRODUCTION

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The Department of Veterans Affairs' (VA) 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. 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 I.4. The study team met with various stakeholders to inform the study design and to assess the appropriateness of the 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
  - Minneapolis 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**

<b>Method</b>	<b>Role in Evaluation</b>
<b>Stakeholder Consultations</b>	Inform design Assess outcomes
<b>Survey of Participants</b>	Describe situations before and after DIC benefits Describe participant characteristics Assess outcomes and needs Identify employment situation and decisions Assess health care Identify net worth and effect of restrictions Assess satisfaction
<b>Nonparticipant Discussion Groups</b>	Identify reasons for nonparticipation
<b>Review of Legislation and Regulations</b>	Identify legislative and regulatory requirements
<b>Discussions with VBA Program Staff</b>	Operationalize requirements and assess features that support or detract from program outcomes
<b>Analysis of VA Compensation and Pension Master Record Abstract</b>	Profile participants and describe benefit levels
<b>Analysis of VA Health Care Records</b>	Assess VA healthcare utilization
<b>Comparative Assessment of VA and Other Federal Need-Based Programs</b>	Assess relationships between VA and other Federal assistance programs
<b>VetPop<sup>4</sup> Model and Actuarial Analysis</b>	Make future projections Project nonparticipation

The assessment of the operation of VA’s Parents’ DIC program is based on observations at two regional processing centers and interviews with regional center staff, and interviews with Compensation and Pension (C&P) 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

<sup>4</sup> 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 alive or deceased. The model also provides projections of dependents and survivors.

## CHAPTER 1. INTRODUCTION

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assessment of legislative intent. The actual assessment of outcomes is accomplished through a survey of program participants conducted through computer-assisted telephone interviews (CATIs). A nationally representative sample of 1,237 Parents' DIC benefit 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 healthcare benefits. Reviews of other Federal benefit programs occurred through literature and regulatory reviews, providing information on how other programs complement the Parents' DIC program. The VetPop model was used to estimate future participation levels. Census data, the VetPop model and Veterans Benefits Administration (VBA) program data were analyzed to develop an estimate of nonparticipation. Although discussion groups were planned to provide reasons for nonparticipation, our outreach efforts produced no nonparticipating parents. Reasons for nonparticipation are limited to information gleaned from the survey, from comparisons with other programs, and from discussion groups with nonparticipants to VA's Pension Program. Together, these methods produced a comprehensive assessment of the Parents' DIC 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 Appendix C 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 Appendix C; different timeframes,<sup>5</sup> data sources,<sup>6</sup> and methods of analysis<sup>7</sup> produced some results that differ from the survey tables.

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<sup>5</sup> Most results are based on the study sample period (June 2002), but some analyses use data for other periods (e.g., VetPop2001).

<sup>6</sup> The study used numerous data sources, including the study survey, administrative records, census, and other data. Administrative and survey data, for instance, did not always agree.

<sup>7</sup> For instance, calculation of percentages on the basis of respondents to a particular item, rather than all survey respondents, produces different percentages.

### D. REPORT OVERVIEW

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

- ◆ Goals, outcomes, and measures
- ◆ Access, participation, and nonparticipation
- ◆ Description of participants
- ◆ Assets, expenses, and debt
- ◆ Income
- ◆ Operations
- ◆ Needs
- ◆ Satisfaction
- ◆ Summary and recommendations.



# CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

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## A. WHAT IS THE STATUTORY INTENT OF THE PARENTS' DIC PROGRAM?

The Parents' DIC program was established by the Servicemen's and Veterans' Survivor Benefits Act, Public Law 84-881. The program was enacted on August 1, 1956. Section 205 of the Act replaced the program that was established by Executive Order No. 6089, signed on March 31, 1933.

The purpose of providing benefits to surviving parents was related to the loss of income support caused by the veteran's death. The Senate Veterans' Affairs Committee clearly voiced this point in its report on legislation instituted in 1978 requesting significant reforms in the program. The Senate report stated the following:

*The theory underlying the payment of DIC benefits to surviving parents is also related to the loss of income support which may result from the veteran's death. In former times, the legal obligation of an adult to support aging parents who were no longer able to support themselves—particularly one's widowed mother—was sanctioned under most State laws. Moreover, the loss of a son in service was recognized not only as a personal tragedy but, to some extent, an economic sacrifice.<sup>1</sup>*

The 1933 program provided a monthly “death compensation” benefit to the surviving parents of military personnel who died from service-connected causes. The program was need-based—eligibility depended in part on whether the parent had depended on the deceased veteran for support. The other element of need was determined by the parent's countable income. Once eligibility was established, the benefit amount was a flat payment unrelated to income. Finally, benefits were paid in two tiers, depending on whether the veteran died during wartime or peacetime.

Between 1933 and 1954, the benefit payments were adjusted several times. However, the compensation for parents was only a small element of an intricate system of survivor benefits that had grown piecemeal over the years. By 1954, five separate programs paid benefits to survivors, and these programs were overseen by four separate committees in each House of Congress.

The establishment of the Parents' DIC program was part of a more comprehensive benefits reform measure that also established the DIC program for surviving spouses and brought active-duty military personnel into the Social Security system as contributing participants. The House Select Committee on Survivor Benefits criticized the all-or-nothing payment formula as a critical shortcoming of the program; it also believed that the payment format discouraged parents from seeking gainful employment.<sup>2</sup>

The resulting Parents' DIC benefit addressed these shortcomings by establishing a sliding-scale payment formula in which the benefit amount was inversely related to countable income. The sliding scale incorporated “need” into both the eligibility criteria and the payment amount. The new program also removed the wartime/peacetime distinction.

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<sup>1</sup> United States Senate, Report of the Committee on Veterans' Affairs, Veterans' and Survivors' Pension Improvement Act, Report No. 95-1016, 95<sup>th</sup> Congress, 2nd Session, pp. 86–87.

<sup>2</sup> House of Representatives, Report of the Select Committee on Survivor Benefits, House Report No. 993, Part 1, 84<sup>th</sup> Congress, 1<sup>st</sup> Session, June 28, 1955, pp. 11–12.

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The Committee expressed its overall assessment of the Parents' DIC program in its report on the measure that was eventually enacted as follows:

*The committee feels that the income limitations prescribed in the table set forth in this section provide a reasonable test to be used in determining whether dependency of a parent exists. Payments provided for dependent parents will in all cases be geared to their annual income, and as annual income increases, payments under this title will decrease. The committee feels that the Government's obligation to dependent parents of deceased servicemen is to provide a sufficient level of benefits which, when combined with their annual incomes, will afford a reasonable standard of maintenance.*<sup>3</sup>

The payment format has been modified several times since its enactment, and benefit amounts have been increased to reflect the changes in Social Security benefits and overall inflation. Throughout these changes, however, the sliding-scale benefit concept has been preserved. In 1978, benefits and maximum income limits were indexed to the annual Social Security cost-of-living adjustment. The Conference Committee's view on indexing, as recorded in the conference report, is the following:

*The conferees note that the intention of this provision is to assure that parents receiving DIC, who also receive Social Security benefits, other Federal benefits indexed in accordance with the annual Social Security cost-of-living increase, or other cost-of-living increases, will not be terminated from the parents' DIC programs as a result of such cost-of-living increases.*<sup>4</sup>

Intervening statutory changes in the parents' DIC program since 1979 have been primarily technical and have not modified the structure or intent of the program.

The legislative history indicates a longstanding Congressional objective of providing benefits to needy dependent parents of veterans who die from service-connected causes. The design of the program, as it has evolved over time, reflects its intent to help surviving parents maintain a "reasonable standard of maintenance" by supplementing other sources of income. Parents with income amounts above the maximum amounts have been determined not to be dependent and are thereby ineligible for benefits.

Notwithstanding the Senate's attempt in 1978, there has been no calibration of the "reasonable standard of maintenance" against any objective measure, such as the poverty level, as was done for VA Pension benefits. However, the program is indexed similarly to Social Security so that the purchasing power provided by the Parents' DIC benefit is not eroded over time and DIC benefits are not reduced as other indexed Federal benefits increase.

The objective of the program, noted by the House Select Committee in 1955 regarding incentives for work, has been resolved by providing for some form of benefit reduction for each additional dollar of income. The initial Parents' DIC program addressed the issue by using a sliding scale of benefits based on countable income. Up to a maximum income limit, earned income would result in reduction but not a termination of benefits. The formula, implemented in 1972, used a variable percentage reduction, with smaller reductions for additional earnings at lower income levels and larger reductions for additional

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<sup>3</sup> House of Representatives, Report of the Select Committee on Survivor Benefits, House Report No. 993, Part 1, 84<sup>th</sup> Congress, 1st Session, June 28, 1955, p 35.

<sup>4</sup> United States Senate, Conference Committee, Veterans' and Survivors' Pension Improvement Act of 1978, Report No. 95-1329, 95<sup>th</sup> Congress, 2nd Session, p. 27.

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earnings at higher income levels. Finally, the current dollar-for-dollar offset introduced in 1979 applied the same benefit reduction at all income levels below the maximum income limit.

### B. WHAT ARE THE OUTCOMES AND MEASURES FOR THE PARENTS' DIC PROGRAM?

The program outcome for the Parents' DIC program, developed by the Department of Veterans Affairs (VA) in consultation with stakeholders before the start of this study, is the following:

- ◆ Parents' DIC payments bring a measure of security to low-income parents of veterans whose deaths were related to military service.

Our review of the legislative history indicates that the Parents' DIC program is intended to help surviving parents maintain a reasonable standard of living by supplementing other sources of income. However, the legislation for the Parents' DIC program does not provide a specific standard to meet or exceed, such as the poverty level. Hence, it is more 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:

- ◆ Parents' DIC benefits should not replace work and earnings from work.
- ◆ Parents' DIC benefits, in combination with other income sources, should provide for parents' basic living expenses.
- ◆ Parents' DIC benefits should provide recognition for the loss of a son or daughter due to service to our country.

Along with this evaluation of the Parents' DIC program, the study team is concurrently evaluating the VA Pension Program. Given the similarity of these programs' objectives, the stated VA Pension outcomes can be considered logical candidates for the Parents' DIC program as well, particularly the outcomes for access, income, and basic security. Fundamentally, these outcomes relate well to the legislative intent of the Parents' DIC program and the VA Pension program. We are restating three of the VA Pension outcomes as Parents' DIC program outcomes in Exhibit 2.1.

**Exhibit 2.1. VA Parents' DIC Outcome Goals Based on Pension Goals**

<b>Access</b> Parents get the information and help they need to access, understand, and participate in the Parents' DIC program.
<b>Income</b> Parents' DIC provides parents the income they need to afford the basic necessities for themselves and their families, in combination with their other income sources.
<b>Basic Security</b> Parents can rely on the financial continuity and stability of the DIC benefit in time of need.



## CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

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We propose the following additional outcome shown in Exhibit 2.2.

### Exhibit 2.2. Additional Outcomes Proposed for Parents' DIC

#### Recognition

Parents who receive DIC benefits should view the program as a source of recognition and appreciation by the Nation for the loss of their child due to service to our country.

## Access

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

According to results of this study, only about 8 percent of the eligible population participates in the Parents' DIC 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 parents to participate in the program. However, the current 8 percent participation rate is so low that effort should be made to increase this rate and review the results of such effort to further specify the goal for participation. Comparatively, 31 percent of the 60-or-older population who are eligible for food stamps participates in the Food Stamp Program. Initiatives are now underway at the Food and Nutrition Service to increase the participation rate in the Food Stamp Program.

### 2. Are eligible parents aware of the VA program?

Since only 8 percent of the eligible population participates in the VA program, the implication is that awareness is low. Another finding that suggests lack of awareness of the program is that 32 percent (N = 396) of the survey respondents say that they were eligible for benefits for an average of 6.4 years before they applied for benefits (Appendix C, Table 8.2). Among the 396 respondents, nearly half of them (48%) give lack of awareness of the program as the main reason they did not obtain the benefit sooner. The next largest group (15%) did not know, were not sure, or did not recall why they did not apply sooner, which is expected since more than half of the parents began participating in the program more than 20 years ago. Of the remaining 37 percent, 12 percent indicate that they did not think they would be eligible for VA benefits. Focus group discussions with veterans and spouses who are eligible for pension but do not participate reveal that they did not think a VA benefit was available to them. We expect that nonparticipating parents also assume that there is no VA program to assist them. Only 10 percent of parents say that they did not apply when initially eligible because they did not need or want the benefit. If the nonparticipating population follows this trend, then only 10 percent of them are aware of the program but are not seeking the benefit. All of these findings indicate that lack of awareness is a barrier to participation in the program.

### 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 access to the benefits in a timely manner.

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 experiences with the VA application process. Despite the small number of recent program enrollees who participated in the survey (22 enrollees or 2% of the total number of survey respondents), these

## CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

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parents' enrollment experiences suggest that most new beneficiaries perceive the application process to be relatively easy, with some degree of difficulty encountered in getting responses back from VA on the status of application forms and in completing the necessary income and medical documentation. Almost all recent applicants received assistance in completing their Parents' DIC application.

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 in a timely manner and determining that only eligible applicants receive the correct benefit. Fiscal Year (FY) 2002 data show that VA takes 98.4 days to process an original claim for Parents' DIC benefits. This is close to the Supplemental Security Income (SSI) program's 90 to 120 days for processing 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 it determines eligibility within 30 days. The U.S. Department of Agriculture (USDA) Food Stamp Program, by law, is required to process applications within 30 days.

The study team's assessment is that once an applicant is found eligible for the Parents' DIC 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 due to the complexity of the instructions on the application.

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 the SSI employees. HUD requires annual recertification. Local food stamp offices typically require monthly recertification, although some food stamp offices recertify every 3 months.

### **What Income Support Does the Parents' DIC Program Provide?**

#### **I. What is total annual income of participants in the Parents' DIC program? Is it enough to provide for the basic necessities of living?**

The Parents' DIC 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 parents should have sufficient income to meet a basic standard of living. As stated previously in the discussion of legislative intent, the program intends to help surviving parents maintain a "reasonable standard of maintenance."

The study team recommends using the poverty guideline<sup>5</sup> as a reference in gauging the income support outcome, as many other assistance programs do. Only 21 percent of program participants meet or exceed the poverty level. Welfare assistance from other programs such as food stamps and housing assistance increases this percentage to only 25.9 percent. The VA Parents' DIC benefit constitutes an average of 33 percent of the parent's total income, excluding other Federal assistance. Counting other Federal assistance, the DIC benefit accounts for 31 percent of total income.

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<sup>5</sup> The poverty line is based on the Department of Health and Human Services (HHS) 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.

## CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

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The expectation that the deceased veteran would have been a source of financial support for needy parents is substantiated by the survey. Almost half of the parents were receiving income support from the deceased veteran when he or she was alive. The Parents' DIC benefits they receive are intended to compensate for the loss of this source of income. The average age at which parents begin receiving DIC benefits is 63, and one-third of the parents reported that they met the need requirements for the program at the age of 58. Most parents are widows whose spouses died when they were 55 years old. There are several likely explanations for the financial need of parents. Most parents are elderly (90% are over age 65), widows (65%, with the average age they were widowed being 55), with low levels of education (72% do not have a high school diploma and 42% did not complete 8<sup>th</sup> grade), with serious health problems (three-fourths of parents have health problems, with an average of four serious health problems), and socially isolated (slightly more than half stay at home most of the time due to health problems and disabilities; another 10% stay in bed most of the time for these reasons). Given their age, their poor health status, the death of their spouses, and their low educational levels, few parents are employed or seeking work. Assuming the unserved parent population has the same profile, it is clearly a difficult population to reach and communicate with.

The Parents' DIC program does not compare favorably to non-VA cash benefit programs in terms of maximum benefit amounts for the Parents' DIC benefits recipients. The maximum benefit amount of \$466 per month (effective on December 1, 2002) for a single parent is lower than 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, the Parents' DIC benefit is less than the SSI benefit, and the parents eligible for the DIC program may not qualify for SSI benefits.

The poverty rate is much higher for DIC parents than for the elderly general<sup>6</sup> and elderly female population. DIC parents' incomes, on average, are lower compared with their counterparts in the elderly means-tested<sup>7</sup> population.

### **2. Has the program effectively increased income for participants that they would not have had without the program?**

The answer to this question is largely yes. On average, the DIC program provides about one-third of the parents' income. Since the overwhelming majority of parents are over the age of 65 (90%) and have serious health problems or physical limitations (67%), employment is not a viable source of income. Hence, the program does not displace or substitute for work, thus meeting its legislative intent.

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

Parents' DIC benefit levels are inversely related to income. However, parents with countable family income (CFI or countable income) within a wide range receive the same minimum benefit amount of \$5 per month. The needs of parents whose countable income is at the lower range are greater than the needs of parents whose countable income is at the upper range, but they all receive the same minimum benefit amount of \$5 per month. For example, a sole surviving (not remarried) parent with \$6,538 in countable income and a sole surviving (not remarried) parent with \$11,024 in countable income receive \$5 per month. Applicants with countable incomes lower than \$6,538 (which is 74% of the poverty

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<sup>6</sup> In this study, we define elderly as anyone 65 years old or older.

<sup>7</sup> 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 subsidies. 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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## CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

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guideline) receive higher benefits, which indicates that greater support is provided for those with greater need, but only for those parents who are far below the poverty line. Parents' medical expenses reduce their countable income, also providing greater support to those with greater need. Parents with incomes above maximum CFI limits are determined ineligible for benefits.

### Basic Security

#### 1. Do participants have a stable financial situation over the long term?

While the benefit amounts afforded by the Parents' DIC program are relatively modest, the program does offer a relatively stable source of income for the participants. Ninety percent of the parents who participate receive the benefit continuously from one year to the next. More than half of these parents have been receiving the benefit for more than 20 years, and 88 percent for more than 5 years. The average length of time that parents receive benefits is about 15 years.

#### 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 as Social Security so that the purchasing power of the Parents' DIC benefit does not erode over time. However, 29 percent of the survey respondents feel that DIC benefit amounts do not keep up with their overall increases in living expenses.

#### 3. Does the program provide participants with a basic sense of financial security?

Parent beneficiaries believe that their Parents' DIC benefit provides either little or moderate financial security. Overall, 30 percent rate their benefit as providing moderate financial security, and 30 percent rate their benefit as providing little or very little financial security. An additional 12 percent of parent beneficiaries state that VA benefits do not give them any financial security. At the same time, nearly one-fourth (24%) of the parents surveyed rate their benefit as providing strong or very strong financial security. Parents with the largest benefit amount are the most positive in their ratings of the financial security provided by VA benefits (43% of these parents rate their benefit as providing strong or very strong financial security). Respondents with the least amount of benefits rate their benefit as providing little or very little financial security (42%), and an additional 25 percent of these respondents rate the benefit as providing no financial security. Those receiving \$5 in benefits rate their security to be even lower; 44 percent rate their benefit as providing little or very little financial security, and an additional 33 percent rate the benefit as providing no financial security. In assessing their financial situation, 41 percent of parents surveyed can afford only basic necessities, having little or no money left for other expenses, while 20 percent indicate that their lifestyle is defined by having to make major sacrifices and having to cut back on necessities. Overall, only 18 percent of the parents say that they can take care of their living expenses and have some money left over. Consequently, this program provides limited financial security.

### Work

#### Do Parents' DIC benefits displace work?

Work displacement is not an issue in this program. The average age of surveyed participants is 77, and 90 percent of beneficiaries are over age 65. The 10 percent of beneficiaries who are under age 65 include 1 percent who are working or looking for a job. Those not looking for a job report that they

## CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

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have disabilities or health problems that prevent them from working (78%). Only 7 percent of participants report that they enrolled in the program because they stopped working. Among those who stopped working, two-thirds did so for health reasons.

### Recognition

#### Does the Parents' DIC program provide recognition for the loss of a son or daughter due to service to our Nation?

Most parents (81%) state that the Nation recognizes their deceased veteran children's service to our country.

### C. HOW SHOULD THE OUTCOMES BE MONITORED?

The study team recommends that a limited group of outcome measures be used annually for ongoing monitoring of the outcomes of the Parents' DIC program. The recommended measures, based on VA administrative data and secondary data sources, include the following:

- ◆ Percentage of program participants at or above the poverty level<sup>8</sup>
- ◆ 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.<sup>9</sup>

These measures would be calculated similarly to the methods used in the present study—by analyzing administrative records and census data. Recommended measures to be obtained through annual or regular recurring surveys of program participants are the following:

- ◆ Reasonable standard of living measured by the percentage of program participants who feel that they can afford the basic living necessities of food, housing, medical care, heating and cooling services (where appropriate), and electricity.
  - Food could be measured as having enough money to obtain balanced meals.
  - Housing could be measured as having enough money for safe and decent shelter without crowding.
  - Utilities (heating, cooling, and electricity) could be measured as having enough money to pay for heating, cooling services (where needed), and electricity.
  - Medical care could be measured as having 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.

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<sup>8</sup> Measurement of the proportion of parent participants below poverty could be assessed by VA through analysis of its administrative records, comparing the VA benefit plus total income reported on the application and the Eligibility Verification Report with the HHS poverty guideline.

<sup>9</sup> The proportion of the eligible population that participates in the program could be monitored by VA, using the projections produced in this study (Exhibit 3.3) in comparison with actual participation. It would be beneficial to refresh the analysis used to produce Exhibit 3.3, incorporating ongoing economic trends and changes in the number of active-duty deaths anticipated due to the effects of military conflicts that occur subsequent to the analysis conducted for this report.

## CHAPTER 2. PROGRAM GOALS, OUTCOMES, AND MEASURES

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

The effort for producing the annual measures will draw on the work done in the evaluation. VA would have to analyze its administrative data and compare participation with the eligibles estimated from the Current Population Survey (CPS)<sup>10</sup> and other data in Exhibits 3.3 and 3.4 of this report. It would administer a survey to obtain participants' assessments of the outcomes relative to their needs. The survey questions should be limited to the brief set of measures listed above and not 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 participating parents. 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 co-payments, reductions in Social Security cost-of-living adjustments), VA should survey participants to assess whether the Parents' DIC benefit adequately meets their needs.

The cost for ongoing performance monitoring is estimated at about \$150,000<sup>11</sup> per year (or other period of study) to include analysis of existing data and to conduct and process participant surveys, if VA contracted for this work. VA could also allocate its existing administrative resources to these activities; however, that would result in diversion of resources from existing activities.

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<sup>10</sup> CPS is a monthly survey conducted by the U.S. Census Bureau of Labor Statistics of U.S. civilian, noninstitutionalized population.

<sup>11</sup> 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.



# CHAPTER 3. ACCESS, PARTICIPATION, AND NONPARTICIPATION

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This chapter focuses on how parents gain access and participate in the Parents' DIC benefit program. It also addresses the issue of nonparticipation—how many eligible parents fail to participate. Parents most often apply to the program either due to a new need brought on by the death of a veteran son or daughter, or because they recently became aware of the program's existence. Parents also apply for benefits to offset the effects of serious illness, because they lack sufficient resources to pay for living expenses, and because their own savings and investments are depleted.

## A. HOW DO PARENTS BECOME AWARE OF THE PARENTS' DIC PROGRAM?

Overall, a majority of the surveyed parent respondents became aware of the Parents' DIC program through VA. Exhibit 3.1 presents the most cited information sources for finding out about the Parents' DIC program. Almost half of the respondents aged 65 and older report that they learned about the benefits from VA (Appendix C, Table 7). Less than 3 percent of the respondents heard about the program from a Social Security office, senior center, nursing home, funeral home, or from other veterans; no one learned about the program from the VA Web site.

**Exhibit 3.1. The Most Cited Information Sources for Finding Out About the Parents' DIC Program**

Organizations or Individuals	Percentage
VA	48%
Military	17%
Family	13%
Veterans Service Organizations	10%
Friends	5%
Not sure where they first found out about the Parents' DIC program	10%

*Source: Survey of Parents' DIC Participants, Appendix C, Table 7*

## B. WHAT ARE THE CIRCUMSTANCES LEADING UP TO PARENTS' PARTICIPATION IN THE PROGRAM?

Parents most often apply to the program either because of a financial need brought on by the death of their veteran son or daughter, or because they recently became aware of the program's existence. Parents also apply for benefits to offset the effects of serious illness, because they lack sufficient



## CHAPTER 3. ACCESS, PARTICIPATION, AND NONPARTICIPATION

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resources to maintain their lifestyle, and because their own savings and investments are depleted. The death of their veteran son or daughter is a main catalyst for most parents (81%) applying for the benefits offered through the Parents' DIC program. A little more than one-fourth of the parents (27%) applied for the Parents' DIC benefits because they had just found out about the program. Serious illness, deteriorating health, or chronic health conditions are the third most prevalent reason for applying for the benefits (24%). Some parents applied because they had insufficient income (21%) or no investments or savings (10%) to draw on to support themselves. About 10 percent of parents applied because they used up their personal assets and savings to provide for themselves (Exhibit 3.2). Among the parents who applied for benefits, only 7 percent (82 respondents) did so because they stopped working. Most of the parents who stopped working did so for health reasons or because of a disability that prevented them from working (63% of those who stopped working). Half of the parents who stopped working were previously supported by a veteran. Half of the nonworking parents were aged 65–79.

**Exhibit 3.2. Reasons Most Cited by Parents for Applying for Benefits**

<b>Circumstances That Lead Parents to Apply for VA Benefits</b>	<b>Percentage</b>
<b>Death of the veteran</b>	81%
<b>Found out that they might be eligible for the benefits</b>	27%
<b>Serious illness, deteriorating health, or chronic health condition</b>	24%
<b>Insufficient income and no investments, savings, or assets</b>	21%
<b>Used up investments, savings, or assets</b>	10%

*Source: Survey of Parents' DIC Participants, Appendix C, Tables 4, 4.6.1*

### C. WHAT IS THE APPLICATION EXPERIENCE?

The overall percentage of parents who applied to the program since 2000 is small—2 percent or 22 survey respondents. This percentage is the same as for the total population of parents, 2 percent of whom began receiving VA benefits since 2000. The recent beneficiaries were asked in the survey to recall their application experiences as a way to ascertain the conditions under which parents apply for the program. Slightly more than one-third of these 22 respondents (36%) indicated that they needed someone else to apply to the program on their behalf. Equal percentages of parents (27%), either filled out an application and mailed it in or applied for VA Parents' DIC benefits in person (Appendix C, Table 9). No one applied for VA benefits using the Internet, and 5 percent of the respondents applied through some other means.

Ninety percent of recent Parents' DIC applicants (N = 22) used a person or organization to help them complete the application. The most used source of assistance is VA (50%), followed by Veterans Service Organizations (VSOs) (20%), and family members (10%). Those who previously depended on a veteran for support were slightly less likely to use VA and more likely to rely on friends and family to complete their application. At least 60 percent of those aged 65 and older recall relying on VA to help them complete their application (Appendix C, Table 10.1).

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## CHAPTER 3. ACCESS, PARTICIPATION, AND NONPARTICIPATION

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Recent program beneficiaries (who began receiving benefits since 2000) were asked to recall their experiences in the VA application process. Despite the small number of recent program enrollees who participated in the survey (N = 22), these parents' enrollment experiences suggest that most new beneficiaries perceive the application process as being relatively easy, with some degree of difficulty encountered in getting responses back from VA on the status of application forms and in completing the necessary income and medical documentation.

A majority of newly enrolled parents had positive experiences trying to find out about VA benefits; 64 percent of them rate this process as easy, and 32 percent believe it to be difficult (Appendix C, Table 76). A majority of these parents also rate other components of the application process as relatively easy, including getting help from either VA or VSO staff in obtaining information (68%), filling out the application (68%), and completing and sending other forms and documents needed to prove eligibility (64%). Less positive ratings are given to the processes of getting information from VA about the status of the application in the review process (55%) and completing and sending medical expense documents (46%). An equal percentage of parents receiving VA benefits since 2000 find the time between applying for and receiving benefits to be either longer or shorter than expected (23%), while slightly more parents (32%) find the wait time to be what they expected (Appendix C, Table 77).

### **D. HOW MANY PARENTS WILL PARTICIPATE IN THE FUTURE?**

In accordance with the study requirements, we provide a projection of the number of parents who will be receiving Parents' DIC benefits through 2014. 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 report that projects future benefit liabilities in conjunction with VA's financial statements. This report includes a projection of the number of parents (fathers and mothers) who will be on the Parents' DIC rolls through 2025. The projections are based on a veteran population projection referred to as VetPop2001. The projections assume a continuing improvement in life expectancy.

We reviewed the report and the underlying projection assumptions and methods and concluded that the report presents valid projections of the number of Parents' DIC beneficiaries. We used the PricewaterhouseCoopers report as a basis for projecting the duration or average number of years that a surviving parent will receive Parents' DIC once they qualify.

Exhibit 3.3 summarizes the projection of the number of beneficiaries and the duration of benefits, showing results for 2003, 2005, 2010, and 2014. Over time, the number of parents leaving the rolls due to death is greater than the number of new awards; therefore, the total number of beneficiaries steadily declines. The last column in Exhibit 3.3 shows the projected number of beneficiaries if all eligible parents participated. This projection is obtained by incorporating the results of our analysis of the unserved population that is presented in the next section.

## CHAPTER 3. ACCESS, PARTICIPATION, AND NONPARTICIPATION

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Exhibit 3.3. Projection of Number of Parents' DIC Beneficiaries and Duration of Benefits

Year	Number of Beneficiaries	Average Duration at Year End (Years)	Number of Beneficiaries if All Eligible Parents Participated
2003	8,800	15.2	110,800
2005	7,000	15.9	104,000
2010	6,200	16.7	92,200
2014	5,600	17.0	83,600

Source: Study Team from VBA data and PricewaterhouseCoopers Report

### E. HOW MANY ELIGIBLE PARENTS DO NOT PARTICIPATE IN THE PARENTS' DIC PROGRAM?

One research question in the study asks how many unserved parents would be eligible to receive Parents' DIC benefits if they applied. Estimating the number of unserved parents was a complex analysis that required many assumptions. We used data from VetPop2001 to establish the potentially eligible population of parents, and data from the Current Population Survey (CPS) to estimate the number of potential eligibles who were below the income limits to receive benefits. The following section summarizes the key analytical steps and assumptions. A complete description of the method is in the September 29, 2004 Memorandum of Understanding available from the Office of the Actuary at VA.

The study team first estimated the number of parents of deceased veterans who met all the conditions for qualification, except the income limits, when the veteran died. The number of parents alive at the time of the veteran's death was adjusted for the probability that the mother and/or father were still alive. These parents were grouped into three categories: mother only surviving, father only surviving, or both parents surviving. This number was further reduced by the probability that the surviving parents were below the income level needed to receive Parents' DIC payments.

The results of the projection are in Exhibit 3.4. The exhibit shows the mean number of parents eligible but not receiving Parents' DIC benefits for each fiscal year as well as the low and high estimate of that number. It also shows the low and high estimates of the unserved parents 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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## CHAPTER 3. ACCESS, PARTICIPATION, AND NONPARTICIPATION

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**Exhibit 3.4. Estimated Unserved Parents' DIC Population**

Fiscal Year	Low Estimate	Mean Estimate	High Estimate
2002	94,000	105,000	115,000
2003	90,000	102,000	113,000
2004	87,000	99,000	111,000
2005	84,000	97,000	110,000
2006	80,000	94,000	108,000
2007	77,000	92,000	107,000
2008	74,000	90,000	106,000
2009	70,000	88,000	105,000
2010	67,000	86,000	104,000
2011	64,000	84,000	104,000
2012	60,000	82,000	103,000
2013	57,000	80,000	103,000
2014	53,000	78,000	103,000

*Source: Current Population Survey, VetPop 2001 and Social Security Data  
Estimates rounded to the nearest thousand*

## F. WHAT ARE THE REASONS FOR NONPARTICIPATION?

About one-third (32%) of the parents describe themselves as being eligible to participate in the program years before they actually enrolled. About half of these parents (48%) did not know that the program existed and whether they were eligible to participate. This lack of knowledge about the benefits is the primary reason why most parents did not apply sooner. Fifteen percent of the surveyed parent respondents stated that they simply are not sure about why they did not apply for benefits earlier, while 12 percent of them believed that they were not eligible for the program. Pride may also have been a factor in parents deciding not to apply for the benefits sooner, since nearly 10 percent of the respondents who were eligible for benefits indicated that they did not want or need the benefit. About 14 percent of the parents who are under 65 also suffered from depression, were going through bereavement, and were coping with the loss of their veteran children (Appendix C, Table 8.2). Exhibit 3.5 presents the reasons parents cite the most for not applying to the Parents' DIC program sooner. It is important to highlight that most parents are not recent participants (44% have been receiving VA benefits for more than 20 years and 61% have been receiving VA benefits for more than 10 years). Therefore, respondents might have had some difficulties recalling the exact reasons why they did not apply for the benefits right away. At the same time, the fact that so many parents were able to recall specific reasons for delaying benefits is an indication that these reasons were significant enough for parents to remember for a long time.

## CHAPTER 3. ACCESS, PARTICIPATION, AND NONPARTICIPATION

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Exhibit 3.5. Reasons for Not Applying for Parents' DIC Benefits Sooner

Reasons	Percentage of Parents Who Were Eligible for Benefits Before They Applied
Was not aware of VA benefits	48.0%
Thought I would not be eligible	12.4%
Did not want or need VA benefits	9.8%
Depression, bereavement, or coping with loss	7.1%
Did not know how to apply	5.6%
Was found ineligible earlier	3.5%
Delay in getting forms/documents needed to prove eligibility	1.3%
Difficulties filling out application and forms	1.3%
Delays in obtaining information for the application	0.5%
Other	1.3%
Don't know or not sure	14.9%
Refused to answer	0.8%
<b>Total Parents Eligible Before Applying</b>	<b>396</b>

Source: Survey of Parents' DIC Participants, Appendix C, Table 8.2

### G. HOW DIFFICULT IS IT TO FIND ELIGIBLE, NONPARTICIPATING PARENTS?

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. In Los Angeles we focused on a low-income elderly housing project subsidized by HUD. Of the 1,200 residents, none identified themselves as individuals potentially eligible for Parents' DIC benefits, although six veterans and spouses did identify themselves as eligible for VA pension benefits. We secured the services of a local market research organization to recruit a group of individuals who might be caring for eligible parents. Their efforts produced caregivers who managed the affairs of 12 veterans and spouses, but no parents.

According to the Census 2002 Supplementary Survey Profile of the United States, there were 33.6 million people age 65 and older. The 75,887 unserved parents, most of whom are over age 65, is equal to less than one-half of 1 percent of the total number of people over age 65. Given the relatively small number of eligible nonparticipants, their age, and their health condition, it is not surprising that they are difficult to locate and reach. The focus group recruitment effort mimics the low rate of participation in the Parents' DIC program.

The focus group findings for veterans and spouses, however, provides some insights into the barriers to participation that are likely to apply to potential Parents' DIC applicants. They are the following:

- ◆ The greatest barrier to participation is that eligible applicants do not make the connection between military service and eligibility for program.

## CHAPTER 3. ACCESS, PARTICIPATION, AND NONPARTICIPATION

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- ◆ The time between military service and the need for the benefit further blurs this connection.
- ◆ For individuals who receive other Federal benefits, there is concern that receiving any assistance from VA will only reduce other benefits, making it not worthwhile to pursue. That is a valid concern, since many other Federal need-based programs count VA benefits as additional income, thereby reducing existing Federal need-based assistance.
- ◆ Many of the elderly eligible parents may not have the education, application completion skills, or self-advocacy skills necessary to pursue these benefits.
- ◆ Many participating parents are housebound and not likely to seek benefits.
- ◆ Among current participants, there is stigma about receiving Federal welfare assistance. Among the Parents' DIC program participants who do not receive other Federal assistance, 45 percent report that they would feel ashamed if they had to rely on welfare (Appendix C, Table 67). By comparison, only 32 percent of the eligible elderly (over age 60) population receive food stamps; stigma is a major reason cited by the U.S. Department of Agriculture (USDA) for this occurrence. Parents may not seek this (or other benefits) because of stigma.

### H. SUMMARY

Parents learn of the Parents' DIC program primarily from VA. The Veteran Service Organizations are the second most frequent source of information about the program. In 2003, participation in the program stands at 8,803, a decline from 2002, and the number of participants is expected to decline further given the low level of new enrollments. We estimate that only 8 percent of eligible parents now participate in the program, and 7 percent will participate in 2005. About one-third of the participants were eligible years before they applied for and began receiving benefits, primarily because they did not know about the program. VA's methods of revealing the program's existence are discussed in Chapter 7, Operations. Given the current participation level, it does not appear that the outreach methods are effective as this program is serving only a fraction of the eligible parents.



# CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

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This chapter provides a profile of the Parents' DIC program participants. It analyzes and describes the population of program beneficiaries, including new enrollees. Illustrative exhibits accompany a descriptive discussion of the participants' characteristics to provide an understanding of the context that parents live in and the circumstances shaping their lives. First, a demographic profile of the parents that discusses the overall status of parents—including their gender, education, living arrangements, and the details of their health conditions and insurance—is presented. Then, the employability of parents is addressed, as it can directly affect their eligibility and participation in the Parents' DIC program.

Most DIC parents are elderly (90% are over age 65) widows (64%) with low levels of education. Close to half report their race as non-White, a proportion substantially higher than the general<sup>1</sup> population and the veteran population. Close to two-thirds live alone and nearly half own their homes. Nearly one-fourth live with adult children. The education level of DIC parents is low—nearly three-fourths do not have a high school diploma and close to half have an education of eighth grade or lower. Given their ages and educational levels, few parents are employed or seeking work. Their low education levels suggest that their poor economic situation is a chronic condition rather than a recent event. Nearly half of the parents relied on the veteran for financial support when he or she was alive. Fewer than 10 percent are under age 65; the majority of these parents give health problems as the reason for not working. Three-fourths of parents have serious health problems, with an average of four serious health problems. Their age and health status lead to physical isolation—slightly more than half stay at home most of the time due to health problems and disabilities, and another 10 percent stay in bed most of the time for these reasons. About two-thirds have difficulties walking and climbing stairs. They also require assistance with activities of daily living such as shopping, preparing food, and cleaning. Most assistance comes from adult children and other relatives. Nearly all parents have some type of health insurance coverage, which is most often Medicare, given their ages. A small minority (4.2%) does not have health care coverage, and less than 1 percent report that they do not use any health care services because they cannot afford it. The primary health care services used by Parents' DIC program participants are doctor visits, prescription medicines, eye exams and glasses, and laboratory tests. The least used types of care include dental care, home health aides, and visiting nurses.

## A. WHO RECEIVES PARENTS' DIC BENEFITS?

Of the 1,237 parent respondents, about half (49%) indicate that they previously relied on the financial support of their veteran child before his or her death. The largest age group of respondents is aged 65–79 (47%), followed closely by those aged 80 or older (43%). Slightly more than 40 percent of respondents receive \$100 or less in monthly DIC benefits, including the lowest award amount, \$5. Exhibit 4.1 presents the basic characteristics of respondents by award level, age, and dependence on a veteran for support (Appendix C, Table 0).

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<sup>1</sup> The United States population was 76 percent White in 2002 (2002 Current Population Survey). The veteran population in 2001 was 86 percent White (National Survey of Veterans, 2001).



## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

**Exhibit 4.1. Basic Characteristics of Respondents by Award Level, Age Group, and Dependence on a Veteran for Support**

Parent Characteristics	Percentage	Number
Receive \$5 monthly Parents' DIC benefit	29%	356
Received support from their veteran child before his or her death	49%	601
<b>Monthly Parents' DIC benefit amount</b>		
\$100 or less <sup>a</sup>	43%	530
\$100–\$400	41%	503
\$400 or more	17%	204
<b>Age group</b>		
64 and younger	10%	121
65–79	47%	586
80 and older	43%	530

<sup>a</sup> Data presented for the \$100 or less award level includes respondents receiving \$5.

Source: Survey of Parents DIC Participants, Appendix C, Table 0

Overall, 94 percent of respondents are female. A majority of the parents surveyed (57%) identify themselves as White, while slightly more than one-third (38%) of respondents are African American, the largest minority group among those surveyed. Nearly 5 percent of the respondents are of Spanish, Hispanic, or of Latino descent. Interestingly, as program participants' age increases, the racial background of participants also changes. While participants aged 64 years or younger (121 respondents) are evenly divided among White and African American beneficiaries (48%), among parents who are 80 years of age or older (530 of those surveyed), only 36 percent of the respondents are African American, compared with 61 percent of White respondents in the same age group (Appendix C, Table 24). Overall, the average age of respondents is 77. Those in the 64-and-younger age group have an average age of about 61, while the parents in the 65–79 age group have an average age of 74. Those 80 and above have an average age of approximately 85 (Appendix C, Table 24).

Participating parents are not highly educated. Forty-three percent of parents achieved an eighth-grade education or lower, and 30 percent had some high school education and no diploma. Older parents are the least educated among the survey respondents. As the age of the respondents increases, so does the percentage indicating lower educational attainment. A majority (55%) of those aged 80 or older have an eighth-grade education or less, as do slightly more than one-third of those aged 65–79, as Exhibit 4.2 illustrates. Almost half of the 204 respondents receiving \$400 or more in benefits also have an eighth-grade education or lower (Appendix C, Table 24).

Exhibit 4.2 depicts the marital status of parent respondents. While most parents interviewed (65%) have been widowed for an average of 22 years, close to half of the youngest parents are divorced or separated. As the amount of VA benefits increases, so does the percentage of parents who are not married. Being married is likely to increase the total household income and decrease the benefit. Married parents comprise 13 percent of those with \$100 or less in benefits, 8 percent of parents with \$100–\$400, and 3 percent of those receiving more than \$400. Conversely, widowed parents comprise 67 percent of those with \$100 or less in benefits, 64 percent of parents with \$100–\$400, and 62 percent of those receiving more than \$400.

## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

Sixty-three percent of parents live by themselves, as they indicate that no other individuals reside with them. More than half (59%) of the parents who relied on support from a veteran before that veteran's death live by themselves. Among the 459 respondents who do have other people living with them, 22 percent live with adult children, 9 percent have a spouse, and 8 percent have grandchildren living with them. One-fourth of those receiving \$400 or more live with an adult child (26%), as do those aged 80 or older (25%). Ten percent of parents who previously relied on a veteran for support have grandchildren living with them, as do 15 percent of those aged 64 or younger. Compared with the overall survey sample, almost twice as many parents (16%) receiving \$5 or less in benefits have a spouse living with them, and 19 percent of those aged 64 or younger have a spouse (Appendix C, Table 51).

**Exhibit 4.2. Summary of Parent Respondents' Demographic Characteristics**

Selected Demographic Characteristic	Overall Percentage	Percentage by Age Group		
		64 and Younger	65–79	80 and Older
<b>Gender</b>				
Female	94%	92%	95%	93%
Male	7%	8%	5%	7%
<b>Race/Ethnicity</b>				
White	57%	48%	55%	61%
African American	38%	48%	39%	36%
Spanish, Hispanic, or Latino	5%	2%	5%	4%
Asian	1%	2%	0%	0%
Native Hawaiian, other Pacific Islander, American Indian, or Alaskan Native	1%	1%	1%	1%
Other	2%	1%	3%	2%
<b>Marital status</b>				
Widowed	65%	20%	61%	79%
Divorced	18%	43%	22%	8%
Married	9%	19%	9%	8%
Never married	4%	12%	3%	2%
Separated	3%	5%	4%	2%
<b>Education</b>				
Eighth grade or lower	43%	26%	36%	55%
Some high school, no diploma	30%	27%	37%	22%
High school diploma or GED	16%	22%	16%	15%
Some college	5%	12%	5%	3%
Trade/Vocational training	3%	7%	2%	2%
Receive aid and attendance benefits	10%	3%	7%	15%
<b>Total Sample</b>	<b>1,237</b>	<b>121</b>	<b>586</b>	<b>530</b>

*Source: Survey of Parents' DIC Participants, Appendix C, Tables 19 and 24*

## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

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The survey data indicate that, for the most part, parents either are homeowners or reside in a house. More than half of parent respondents (59%) live in a house, while about one-fourth (24%) reside in an apartment. About half of the respondents (48%) own their home. However, home ownership decreases among those receiving the largest award amounts. Only one-third of those receiving benefits of \$400 or more own their home. Among parent respondents, 33 percent reside in a rental property or pay rent, while 12 percent live with another person without paying rent. Nearly 6 percent of the respondents live in a nursing home, assisted living center, or other group setting. Notably, a much larger percentage of parents (19%) who live in nursing homes or assisted living facilities also receive the largest award amounts—\$400 or more (Appendix C, Tables 49 and 49.1). Exhibit 4.3 presents the five most identified living arrangements among parents.

**Exhibit 4.3. Five Most Frequent Housing Arrangements of Parents**

Current Living Arrangements	Percentage
Live in a house	59%
Live in an apartment	24%
Live in a recreational vehicle, mobile home, or trailer	8%
Live in a nursing home	4%
Live in a room in someone's home	2%

*Source: Survey of Parents' DIC Participants, Appendix C, Table 49*

## B. WHAT IS THE HEALTH STATUS OF PARENTS?

The analysis indicates that a majority of parents are in fair to poor health, experience a combination of physical limitations and health problems, and need assistance with activities of daily living. Slightly more than half of all the parents surveyed indicate that they stay at home most of the time due to their poor physical condition and limitations, with larger percentages of those who formerly depended on the support of a veteran and those receiving the largest award amounts being homebound. Most parents rely on a family member to help them manage their physical challenges, including the daily tasks of self-care and self-sufficiency.

### I. What is the status of parents' health?

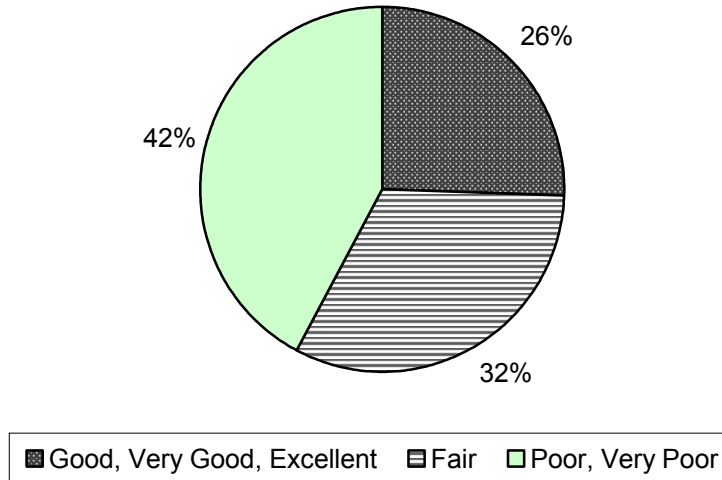
Nearly half (42%) of parent respondents rate their health as poor or very poor. Almost one-third (32%) consider their health to be fair, and one-fourth (26%) rate their health as good, very good, or excellent. A slightly higher percentage of parents who received support from a veteran (601 respondents) indicate that they are in poor or very poor health (45%), while 50 percent of the 204 respondents receiving \$400 or more in benefits indicate poor or very poor personal health (Appendix C, Table 33).

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## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

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**Exhibit 4.4. Parents' Ratings of Their Current Health Status**



Source: Survey of Parents' DIC Participants, Appendix C, Table 33

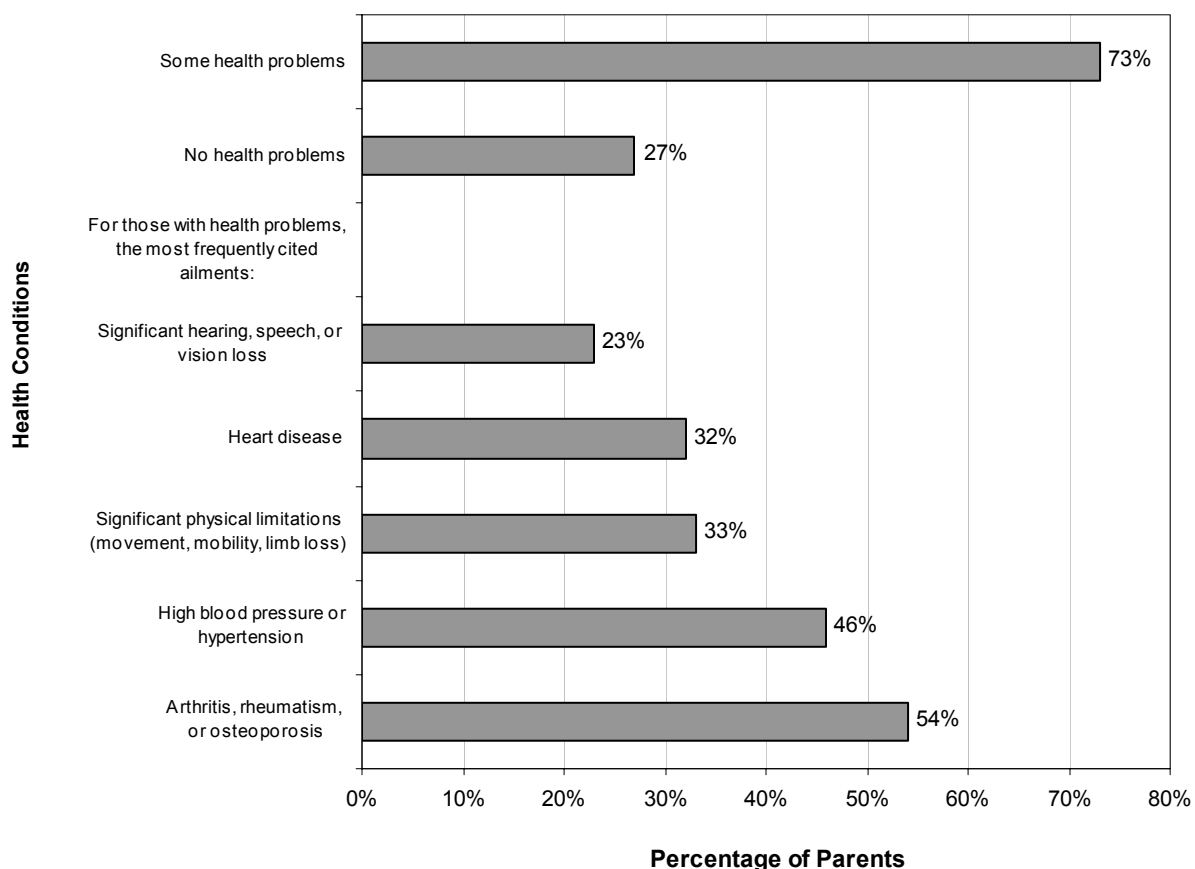
### 2. What types of health problems do parents experience?

Most parents (73%) have at least one serious health problem that they cope with daily. However, the analysis indicates that parents suffer from an average of four serious health problems concurrently. A slightly higher percentage of those who previously relied on a veteran for support (77%), those who receive the largest award amounts (83%), and those who are 64 years old or younger (80%) have some health problem (Appendix C, Table 33.1). The five most frequently noted health problems appear in Exhibit 4.5.

As Exhibit 4.5 indicates, slightly more than half of the parents participating in the program (54%) have arthritis, rheumatism, or osteoporosis, while hypertension or high blood pressure is the second most noted ailment parents suffer from (46%). At least 50 percent of the parents who had support from a veteran and those receiving awards of \$100–400 report suffering from the top two most cited ailments (Appendix C, Table 33.1).

## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

**Exhibit 4.5. Health Problems Faced by Parents Receiving VA Benefits**



Source: Survey of Parents' DIC Participants, Appendix C, Table 33.1

### 3. What are parents' physical limitations?

Physical limitations are a challenge that parents enrolled in the Parents' DIC program face. Two-thirds of all the parents surveyed (67%) have a physical limitation that affects their activities of daily living. Overall, a little more than half of all the respondents (55%) stay at home most of the time due to disabilities or health problems, and nearly half (48%) have difficulties climbing a flight of stairs. VA provides aid and attendance benefits to those who need medical assistance. We compared parents' 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 whether parents also receive aid and attendance benefits. Thirteen percent of those who stay at home also receive aid and attendance benefits, according to VA's records (Appendix A, Table 33.2). About one-fourth of those who stay in bed most of the time due to health problems receive aid and attendance benefits from VA.

These findings suggest that not all those who need additional assistance are receiving it. However, the findings must be tempered with the fact that those who state a need for assistance may not have a need from a medical perspective, which is the standard VA uses for determining whether to award aid and attendance benefits. There are other circumstances as well that contribute to the discrepancy between those indicating need for assistance and the percentage of parents who receive aid and attendance. For example, parents who reside in Medicaid-supported nursing homes are limited to \$90 per month from

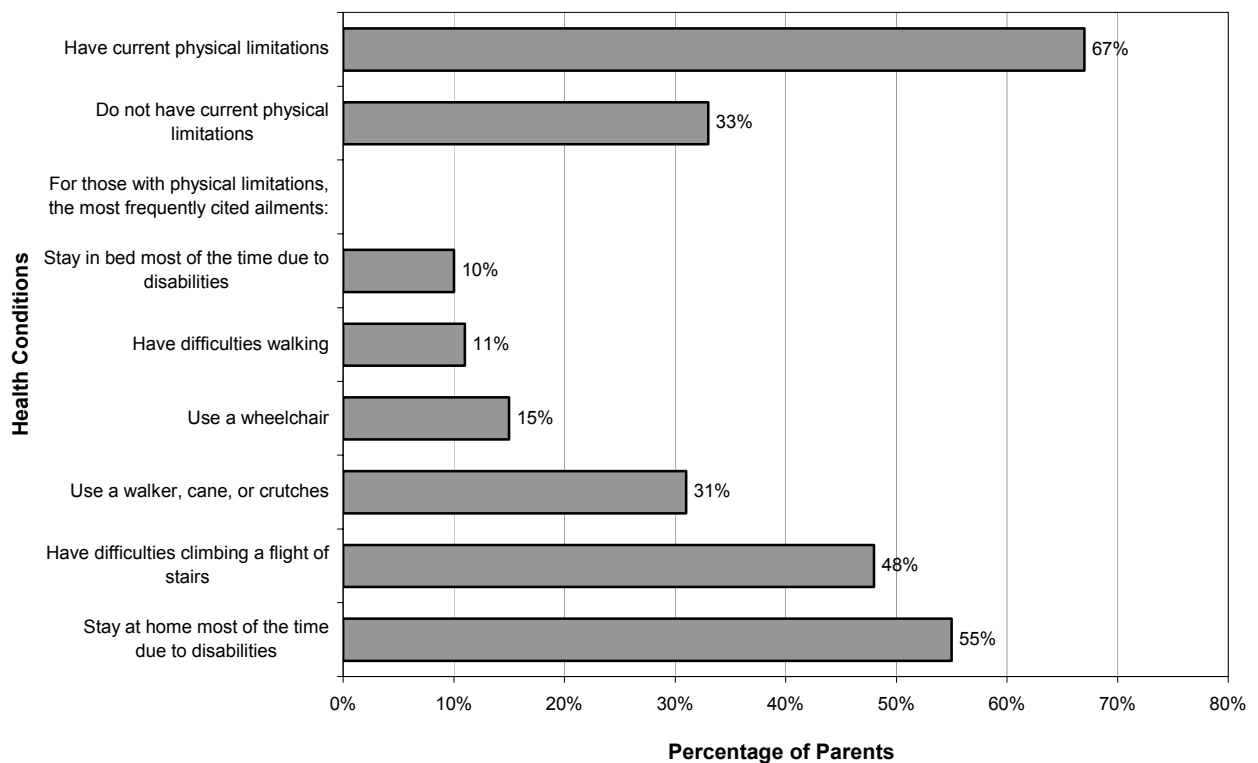
## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

Parents' DIC and therefore would not receive aid and attendance. Since only 5.7 percent of parents are in nursing homes, the Medicaid limit probably explains only a small part of the discrepancy between parents who report needs for assistance and those who receive aid and attendance. Another confounding factor is that the Parent DIC application asks for information from which qualification for aid and attendance is assessed. The EVR form, which is used to establish ongoing eligibility, however, does not request such information. As a result, parents who become qualified for aid and attendance after initial eligibility may not receive it. Overall, these findings raise questions as to whether all who are eligible for aid and attendance actually receive this benefit.

The analysis indicates that higher percentages of parents who relied on the support of a veteran, those who receive the largest award amounts, and those who are 64 or younger have physical limitations than the overall sample of parent survey respondents. While old age may be an explanation for the health problems of older parents, younger parents receiving Parents' DIC program benefits report a higher incidence of arthritis, stroke, and physical limitations than others (Appendix C, Table 33.2).

Nearly three-fourths (72%) of those who relied on the support of a veteran (601 respondents overall) have physical limitations, with 60 percent of this group staying at home most of the time due to disabilities. Among those receiving the largest award amounts, 79 percent have physical limitations, and 76 percent of those parents aged 64 or younger are physically challenged. Exhibit 4.6 presents the five most frequent physical limitations experienced by parents.

**Exhibit 4.6. Five Most Frequent Physical Limitations Experienced by Parents Receiving Parents' DIC**



Source: Survey of Parents' DIC Participants, Appendix C, Table 33.3 Percentage

## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

### 4. Do parents need assistance with activities of daily living?

Many parents need assistance with activities of daily living—the basic tasks of personal hygiene, eating, shopping, and keeping their monthly bills in order. Half (50%) of all the parents surveyed need help to remain self-sufficient and independent (Exhibit 4.7). Parents need assistance with shopping (39%), cleaning (36%), cooking (26%), managing money or paying bills on time (24%), and bathing or showering (21%) (Appendix C, Table 33.3). A slightly higher percentage of the 601 parents who relied on a veteran before the veteran’s death report needing assistance with activities of daily living (55%). At the \$400 or more award level, the percentage of respondents in this subcategory expressing a need for assistance with the top five tasks identified by the survey respondents is notably greater. Of the 204 respondents receiving the highest benefit amounts, 66 percent report needing assistance with activities of daily living, with about 50 percent needing help to shop and clean, and at least 40 percent indicating that they need help cooking and paying bills (Appendix C, Table 33.3).

**Exhibit 4.7. Five Most Cited Current Assistance Needs of Parents, Overall and by Award Level**

Assistance Needs	Overall Percentage of Parents Requiring Assistance	Percentage by Age		
		65 and Younger	65–79	80 and Older
	N = 1,237	N = 121	N = 586	N = 530
<b>Do not need assistance</b>	50%	55%	56%	43%
<b>Need assistance</b>	50%	45%	44%	57%
<b>Most frequently cited needs of those who need assistance</b>				
<b>Shopping</b>	39%	30%	35%	46%
<b>Cleaning</b>	36%	31%	31%	42%
<b>Cooking</b>	26%	19%	31%	33%
<b>Managing money/Paying bills</b>	24%	15%	17%	33%
<b>Bathing or showering</b>	21%	11%	16%	29%

*Source: Survey of Parents’ DIC Participants, Appendix C, Table 33.3*

As Exhibit 4.7 illustrates, higher percentages of older parents need help with the activities of daily living, with 57 percent of the oldest respondents requiring help. When looking at the top five activities that parents need help to complete, at least 40 percent of the oldest parents need assistance with shopping and cleaning, and about one third need assistance with cooking, managing money/paying bills, and bathing and showering. More than one-third of all parents need help with shopping and cleaning. As parents enter the 80-and-older age group, their need for assistance in managing money and bathing is more than twice that of younger parents.

### 5. Who assists parents with activities of daily living?

While half of all parents surveyed need help with activities of daily living, nearly all (98%) of these 614 respondents receive assistance from someone. Adult children are most often (66%) the providers of assistance for their parents who state that someone regularly helps them manage their limitations.

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## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

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Higher percentages of parents who receive \$400 or more in benefits and those who are aged 80 or older rely on adult children to assist them with activities of daily living (72% and 70%, respectively). Home health aides help 17 percent of the parents manage their limitations, while 12 percent of parents receive help from their grandchildren. Only about 5 percent of parents rely on nursing home staff to help them manage their physical limitations. Slightly higher percentages of the 601 parents who received support from their veteran child before his or her death rely on either their adult children (67%) or grandchildren (16%) to help them manage their physical limitations (Appendix C, Table 33.4.1).

Respondents also face challenges when it comes to mobility outside of their homes. A majority of parents (98%) state that they have to make arrangements to travel outside of their homes. Half of the 1,206 respondents with transportation needs ask someone to give them a ride wherever they need to go, while 31 percent use their own vehicle. Seven percent of the respondents rely on public transportation, while 4 percent either rely on nursing home or transportation for the handicapped, or borrow another person's vehicle. Sixty percent of the survey respondents 80 or older (530 of the total respondents) ask someone to give them a ride to meet their transportation needs (Appendix C, Table 53).

### 6. Who receives aid and attendance benefits from VA?

Aid and Attendance Allowance is an additional benefit paid to parents based on the need for aid and attendance by another person or due to a specific disability. Aid and attendance benefits for parents are fixed at an additional \$250 per month (VA Web site, <http://www.vba.va.gov/bln/21/Benefits/#BMA>).

The VA administrative data reveal that 10 percent of the parents receive the aid and attendance benefit. (Source: Appendix C, Table 19). The highest percentages of parents receiving aid and attendance are the oldest parents (15%) and those receiving the largest benefits (37%). Conversely, respondents the least likely to receive aid and attendance are those with the smallest award amounts (0%) and the youngest respondents (3%). The relationship to award amount is expected, since aid and attendance add \$3,000 to the yearly benefit, which is larger than the average Parents' DIC benefit amount—\$2,248. A slight majority of the respondents who report living in a nursing home, assisted-living center, dormitory, or other group setting are receiving aid and attendance (57%) (Source: Appendix C, Table 49.1). The proportion of parents who report staying at home most of the time (13%) or staying in bed most of the time (26%) due to disabilities are more likely to receive aid and attendance than parents overall. However, these percentages are lower than expected, particularly for individuals who stay in bed most of the time due to health problems or disabilities (Source: Appendix C, Table 33.2).

Overall, those who receive aid and attendance benefits are older than those who do not receive these benefits (84 years old and 76 years old, respectively). Proportionately more Whites and Hispanics receive aid and attendance than African Americans.

## C. DO PARENTS HAVE AND USE HEALTH CARE?

A large percentage (96%) of parents have some form of health insurance. Health insurance is defined to be some form of health care coverage provided by a government or private insurer. Examples include private health insurance purchased by the parents or provided by an employer, public programs such as Medicaid or Medicare, and treatment provided by VA or the Department of Defense (DoD) through their health care systems.



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Eighty-six percent of parents have Medicare coverage, and this is expected because of the age profile of surviving parents of veterans. The second most prevalent source of health insurance is Medicaid, also expected because of the low incomes of Parents' DIC program beneficiaries. Conversely, less than 2 percent of parents report having health insurance provided through an employer. Less than 2 percent also report coverage<sup>2</sup> through the VA health care system. They are the parents who qualify by their status as veterans.

Exhibit 4.8 summarizes the percentages of all parents surveyed about their source(s) of health insurance coverage. Some parents report more than one source, so the percentages add to more than 100 percent.

**Exhibit 4.8. Percentage of Parents' DIC Survey Respondents with Various Health Insurance or Health Plans**

Health Insurance or Health Plan	Percentage of Parents
Medicare	85.5%
Medicaid	49.0%
Private insurance purchased by parents	18.1%
Other Government-paid health care	4.5%
Medigap	3.3%
Private insurance paid by employer	1.5%
VA benefits	1.2%
DoD benefits	0.7%
Other	0.8%
<b>Summary</b>	
<b>Total Parents with Health Insurance</b>	<b>95.8%</b>
<b>Total Parents with No Health Insurance</b>	<b>4.2%</b>

*Source: Survey of Parents' DIC Participants, Appendix C, Table 34*

For the small percentage of parents who report that they have no health insurance coverage, the primary sources of health care are public health clinics, hospital emergency rooms, and out-of-pocket purchases of care. More than 13 percent of parents without insurance report that they do not get the health care they need because it is unaffordable. Exhibit 4.9 summarizes the responses of parents without insurance.

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<sup>2</sup> Slightly more than 3 percent of the parents report being veterans themselves. The difference between this percentage and the 1.2 percent who report having VA health care coverage could be attributed to some parents not being qualified to receive VA health care or parents who are unaware that they could be eligible for health care.

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**Exhibit 4.9. Sources of Health Care for Uninsured Parents**

Source of Health Care	Percentage of Uninsured Parents
<b>Go to a private doctor and pay out of pocket</b>	34.6%
<b>Go to a hospital emergency room</b>	30.8%
<b>Use a public health clinic</b>	30.8%
<b>Do not get needed care because it is unaffordable</b>	13.5%
<b>Other source of care</b>	5.8%
<b>Refused to answer</b>	1.9%

*Source: Survey of Parents' DIC Participants, Appendix C, Table 34*

More than 90 percent of all parents report receiving health care services during the 12 months before the survey. Many of the services were provided without charge through one of the insurance sources, primarily Medicare. Exhibit 4.10 summarizes the most frequently used services and the percentage of parents reporting using them. The exhibit includes all parents, those who are eligible and those who are not eligible for VA health care. Doctor visits and prescription medications are the most frequently used health care services (84% and 81%, respectively). Notably, only 20 percent of the parents received dental care in the past 12 months, which highlights dental care as one of the health care needs of the parents, especially considering that 14 percent of parents report not going to the dentist to save money (See Exhibit 8.17).

**Exhibit 4.10. Health Care Services Used in the Past 12 Months**

Type of Health Care Service Used	Percentage of All Parents Using Health Care Services
<b>Doctor visits</b>	83.8%
<b>Prescription medications</b>	81.1%
<b>Eye exams or eyeglasses</b>	58.6%
<b>Laboratory testing or monitoring</b>	56.5%
<b>Emergency room visits</b>	37.3%
<b>Nonprescription medications</b>	32.8%
<b>Walkers, canes, crutches, or other assistive devices</b>	31.2%
<b>Hospitalization</b>	30.1%
<b>Dental care</b>	19.8%
<b>Home health aide</b>	13.7%
<b>Visiting nurse</b>	11.2%
<b>Summary</b>	
<b>Some Health Care Services Used</b>	<b>91.4%</b>
<b>No Health Care Services Used</b>	<b>8.6%</b>

*Source: Survey of Parents' DIC Participants, Appendix C, Table 40a*

Forty-two parents (3.4%) of all parents in the survey are veterans (Appendix C, Table 30). Almost half of these parents (50%) report that they used VA health care services in the past 12 months, 48 percent did not use VA health care services, and 2.4 percent did not know or were unsure whether they had used VA health care services.

## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

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Because of the small numbers involved, it is not possible to draw statistical inferences from the data, but we provide the following information summarizing the veteran parents' responses to survey questions about their experiences with VA health care.

Veteran parents who used VA health care within the past 12 months report as follows:

- ◆ Most report that they used VA care because it was free (62%) or low cost (29%).
- ◆ Half of the VA health care users report difficulties using the services; primary issues reported were wait time, difficulties with transportation and scheduling an appointment, and the poor quality of care.
- ◆ The average distance to the nearest VA health care facility is 43 miles, but the average distance to the VA facility that the parent uses is 63 miles. Reported distances, however, were highly variable.

Among veteran parents who had not used VA health care in the past 12 months, the primary reasons reported are that the parents are not eligible, that the location of the VA facility is inconvenient or that the facility does not provide the type of care they needed, and that they do not need VA care because their primary health insurance covers their needs.

### D. DO PARENTS' DIC BENEFITS DISPLACE EMPLOYMENT?

The following study question relates to the program outcome of *income support*: Are incentives to work preserved for program participants? Our legislative research indicates that preserving work incentives is deemed relevant and important by Congress and the Office of Management and Budget (OMB).

VA officials, Veterans Service Organizations, and Congressional staff expressed the view that the benefit amounts under the Parents' DIC program are too small to create a disincentive to work. In their view, beneficiaries are people who are too old and possibly too disabled to work. These stakeholders also point out that some local economies do not provide opportunities for disabled individuals and that transportation can be a barrier for them. The OMB representative, in contrast, viewed self-sufficiency as a goal and also thought that jobs are available for the disabled and that employability—not disability or age—should be the basis for eligibility for this VA benefit.

The employability of parents depends on factors such as the claimant's age and medical condition. In our survey, respondents were asked about their employment and participation in the labor force. Respondents below 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.

The survey sample contained 119 respondents (9.6% of all respondents) younger than 65 years, who were asked about their employment situation. Almost 8 percent of the 119 respondents indicate that they are employed (or on vacation or on leave from a job), whereas 1.7 percent of respondents say that they are looking for a job. The percentage of respondents employed differed by the award amount:

## CHAPTER 4. DESCRIPTION OF PARTICIPATING PARENTS

The higher the DIC benefit amount, the lower the percentage employed. Among those unemployed and not looking for a job, the average time since they held their last job was 13.5 years.

The tabular analysis indicates that most parents under age 65 are not employed or seeking employment, primarily due to disability or health problems that prohibit employment. According to the survey responses, 86 percent of the 119 survey respondents age 65 or younger are unemployed and not seeking work (Exhibit 4.11). Most of these nonworking parents are disabled or have health problems that prevent them from working (78%). Only 3 percent of these parents indicate that they either did not have the skills required by the workplace or the means of transportation to get to a job (Appendix C, Table 57.3).

**Exhibit 4.11. Parents' Reasons for Not Working or Looking for Work**

Current Employment Status	Percentage
<b>Disabled or have health problems</b>	77.5%
<b>Retired</b>	9.8%
<b>Too many other things to take care of</b>	5.9%
<b>Do not have skills required by the workplace</b>	2.9%
<b>Do not have a car or transportation</b>	2.9%
<b>Depression, bereavement, or coping with loss</b>	2.0%
<b>Stopped looking for work because could not find work</b>	2.0%
<b>No suitable jobs in the area</b>	1.0%
<b>Do not need the money</b>	1.0%
<b>Have difficulty paying for work-related expenses</b>	1.0%
<b>Other</b>	2.0%
<b>Number of parents who are unemployed and not looking for work</b>	102

*Source: Survey of Parents' DIC Participants, Appendix C, Table 57.3*

Of the total population of parent respondents who are under age 65, 16 percent of parents who could be employed believe that job training would help them prepare for employment or improve their employment, but less than 1 percent would use VA vocational rehabilitation services if they were available in the local community, as shown in Exhibit 4.12.

**Exhibit 4.12. Percentage of Parents Indicating That They Would Benefit From Job Training or VA Vocational Rehabilitation Services**

Parents Who Would Benefit From Job Training or VA Vocational Rehabilitation Services	Percentage
<b>Job training would help them prepare for employment or improve employment prospects</b>	16.0%
<b>Would use VA vocational rehabilitation services if they were available in the community</b>	0.8%
<b>Number of parents younger than 65 years old</b>	119

*Source: Survey of Parents' DIC Participants, Appendix C, Table 58*

These results suggest that the health and disability status is the most important cause of parents' unemployment. The benefits parents received from VA also helped them financially, such that only 2.9 percent of those receiving more than \$400 indicated that they were employed.

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Another measure of the incentive to work is to investigate how responsive the number of new claimants and the terminations to conditions of local economies are. 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.

### E. SUMMARY

About half (49%) of the 1,237 parent respondents, indicate that they previously relied on support from a veteran before the death of their veteran child. The largest age group of parents represented among respondents are aged 65–79 (47%), followed closely by those aged 80 or older (43%). The profile of parents indicates that most beneficiaries are White women in their mid-to-late seventies and are not highly educated. Additionally, half of the parents had some of their financial needs met by a veteran child before the death of that veteran. Most of the parents interviewed (65%) have also been widowed for a long time, averaging 22 years since their spouse's death. These parents are in fair-to-poor health, with an average of four concurrent health problems. Two-thirds of all the parents surveyed (67%) have a physical limitation that affects their activities of daily living. Half (50%) of all the parents surveyed need help to compensate for physical limitations, including assistance to complete the tasks that help them manage their self-sufficiency and independence. A majority of the parents live by themselves, and those who do live with other people have adult children who are not in school and grandchildren living with them. Almost 48 percent of parents are homeowners.

Although half of the survey respondents express a need for assistance due to health problems or disabilities, only 10 percent of survey respondents (and 14 percent of the population, according to administrative records) receive aid and attendance benefits from VA. Medical necessity must be established to qualify for aid and attendance, and those who express need may not qualify on the basis of medical need. Further, the DIC benefit is limited to \$90 per month for those in Medicaid-supported nursing homes, and parents in these circumstances would not be paid the additional \$250 per month for aid and attendance. However, few parents are in nursing homes (5% according to VA's administrative records and 4% according to survey responses), and only about half of those living in nursing homes receive aid and attendance. Another possible explanation is that only the application collects information for qualifying parents for aid and attendance. As parents age and their health declines, they may become eligible for aid and attendance, even if they were not eligible at the time they initially applied. However, the Eligibility Verification Report form that VA uses to establish ongoing eligibility does not request information pertaining to aid and attendance. Consequently, some of those eligible for this benefit may not receive it.

Most parents have health care coverage, primarily through Medicare, and use health care services. A small minority of parents (4.2%) have no health care coverage, and less than 1 percent report that they do not use any health care services because they cannot afford it. The remaining parents go to emergency rooms, pay out of pocket, or use public health clinics. The primary health care services used by Parents' DIC program participants are doctor visits, prescription medicines, eye exams and glasses, and laboratory tests. The least used types of care include dental care, home health aides, and visiting nurses.

Given their age, most DIC program parents are not employed. Among those under age 65 who are not employed, health and disabilities are the most often cited reasons for not working. The Parents' DIC program does not seem to be displacing work.

# CHAPTER 5. ASSETS, EXPENSES, AND DEBT

Parents' finances are affected by assets, expenses, and debts. This chapter describes DIC parents' assets, expenses, and debts and provides additional context about the financial circumstances of program participants.

## A. WHAT ASSETS DO PARENTS HAVE?

### I. What types of assets do parents have (including land)?

The fiscal condition of parents is reaffirmed when their liquid assets are taken into consideration. Most parents have extremely limited finances that could be used immediately to cover daily living expenses or emergencies. The survey results indicate that most parents are living on limited resources and do not have any financial means available to cover additional unexpected expenses or to draw on over an extended period.

First, more than half of the parents surveyed lack liquid assets that they could potentially use to cover their living expenses or other costs. Most parents (56%) do not have any financial assets valued at more than \$1,000, including bank accounts, retirement savings, or property such as cars or other vehicles. Forty-four percent of all parents (542 respondents) have some assets valued at more than \$1,000, 38 percent of all parents have a home, and 16 percent indicate that they own a car or other vehicle (Exhibit 5.1). Only 2 percent of parents have investments or bank accounts. There are no notable differences among parents, by age, for the most noted kinds of assets (Appendix C, Table 46). Slightly fewer non-White parents have assets, as shown in Exhibit 5.1.

**Exhibit 5.1. Percentage of Parents with Various Assets Worth More Than \$1,000**

Assets	Percentage of All Parents	Percentage of Non-White Parents
No assets	56%	58%
Some assets	44%	42%
<b>Types of assets all parents own</b>		
Home	38%	39%
Cars or vehicles	16%	11%
Investment or bank accounts	2%	2%
Farm or ranch	<1%	0%
Retirement savings	<1%	0%
Real estate or rental property other than a home	<1%	0%
Boats	<1%	0%
Business	0%	0%
Other assets	0%	0%

Source: Survey of Parents' DIC Participants, Appendix C, Table 46

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Overall, only 17 percent of parents report having savings of any kind; only 11 percent of the parents who received financial support from the deceased veteran have any savings (Appendix C, Table 47). Of the parents with some savings, 23 percent have between \$1,000 and \$2,000 that they can tap for immediate use, and nearly 21 percent have considerably less—between \$100 and \$499, as illustrated in Exhibit 5.2. Parents who do have some savings have an average disposable amount of about \$3,003. However, the average amount of savings available is as low as \$1,446 for parents under age 65 (15 respondents under age 65 with savings) (Appendix C, Table 47). Fewer non-White parents have savings, and those with savings have less than their White counterparts.

**Exhibit 5.2. Percentage of Parents with Savings They Can Use Immediately**

Savings Amounts	Overall Percentage	Percentage of White parents	Percentage of Non-White Parents
No savings	83%	78%	90%
Some savings	17%	22%	10%
<b>Of those with savings</b>			
Less than \$100	5%	6%	2%
\$100–\$499	21%	17%	30%
\$500–\$999	12%	11%	16%
\$1,000–\$2,000	23%	23%	21%
More than \$2,000	16%	18%	11%
Don't know/Not sure	16%	15%	18%

*Source: Survey of Parents' DIC Participants, Appendix C, Table 47*

### 2. Do parents have income-producing assets?

The Parents' DIC survey inquired about income-producing assets that parents might draw upon to pay for living expenses. Parents lack wealth that could be provided through a farm, ranch, or other real estate. Less than 0.5 percent of the parents surveyed own a farm or ranch that they could either sell to gain additional liquid resources or use as a source of additional income (Appendix C, Table 46.1). Furthermore, the farms that the small number of parents own are not operational, either due to the expense of running a farm or due to the poor quality of the property.

Other potential sources of income, such as income tax refunds, insurance policies, or inherited assets, are not widespread or large sources of assets parents could use to meet their expenses, as very few parents actually have such resources. Furthermore, the dollar amount of these resources is small. Only about 2 percent of the parents receive either an earned income tax credit, a life insurance payment, or an inheritance that they can use as an additional source of income to meet living expenses. About 2 percent of parents have received an inheritance or life insurance payment in the past 3 years that serves as an additional source of income, with an average amount of \$12,000 received before taxes. In the past 12 months, approximately 2 percent of the parents received an average of about \$550 in earned income tax credit (Appendix C, Table 69).

## **B. WHAT EXPENSES DO PARENTS HAVE?**

### **I. What are parents' three highest living expenses?**

The overall financial circumstances of parents are further revealed when the kinds of expenses that parents have and where they choose to expend their resources are considered. During the past 12 months, parents have spent most of their resources on shelter, heat and electricity, and food for themselves. The analysis indicates that parents' highest living expenses are utilities (71%), housing (46%), and food (59%) (Appendix C, Table 70).

Parents spent an average of \$3,345 to cover their housing expenses during the past year; food and utilities cost them about \$2,000 apiece (Appendix C, Table 70a). While only approximately one-third of the survey respondents indicate that health care was one of their most costly expenses, it was slightly more than the average costs of food or groceries, averaging about \$2,500.

Utilities are identified by 71 percent of the parent respondents as one of their most expensive living costs during the past 12 months, followed by food (59%) and housing (46%). Higher percentages of parents under age 65 identify housing and groceries as areas where they spent the most money to cover living expenses during the past year (64% and 65%, respectively). While nearly three-fourths of the parents interviewed identify utilities as one of their highest living expenses during the past year, the average cost of utilities is not the highest average expense. Housing costs are the highest, averaging \$3,345 for respondents with this expense. Exhibit 5.3 identifies the expense and the average costs of the top five expenses that participants identify as one of their three highest living expenses during the past 12 months.

**Exhibit 5.3. The Five Living Expenses Most Cited by Parents as Their Three Highest During the Past 12 Months**

Expenses	Percentage of Parents Identifying the Expense as One of Their Top Three	Average Expense	Expense as a Percentage of Average Total Household Income of \$7,926
<b>Utilities</b>	71%	\$1,940.47	24%
<b>Food or groceries</b>	59%	\$2,235.30	28%
<b>Housing, including rent or mortgage</b>	46%	\$3,344.86	42%
<b>Health care expenses</b>	32%	\$2,495.07	31%
<b>Taxes</b>	13%	\$794.74	10%
<b>Sum of Average Expenses, Assuming All Parents Have These Expenses</b>		<b>\$10,810.44</b>	<b>135%</b>

*Source: Survey of Parents' DIC Participants, Appendix C, Tables 70 and 70a*

When considering expenses as a percentage of income (Exhibit 5.4), housing consumes nearly half of parents' total average income. Health care accounts for nearly one-third, food and utilities account for

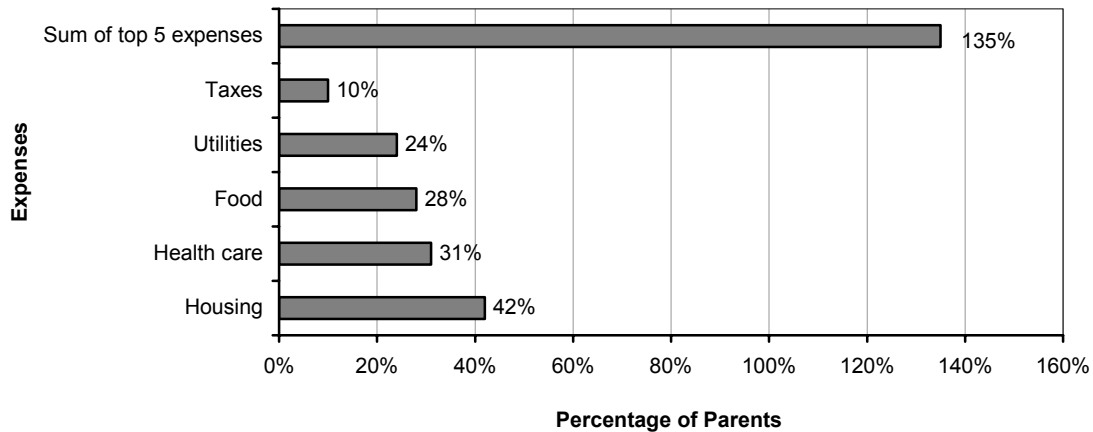


## CHAPTER 5. ASSETS, EXPENSES, AND DEBT

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nearly one-fourth apiece, and taxes account for 10 percent. If an individual parent incurred all of these expenses, the total cost of these expenses would be 135% of parents' total average income.

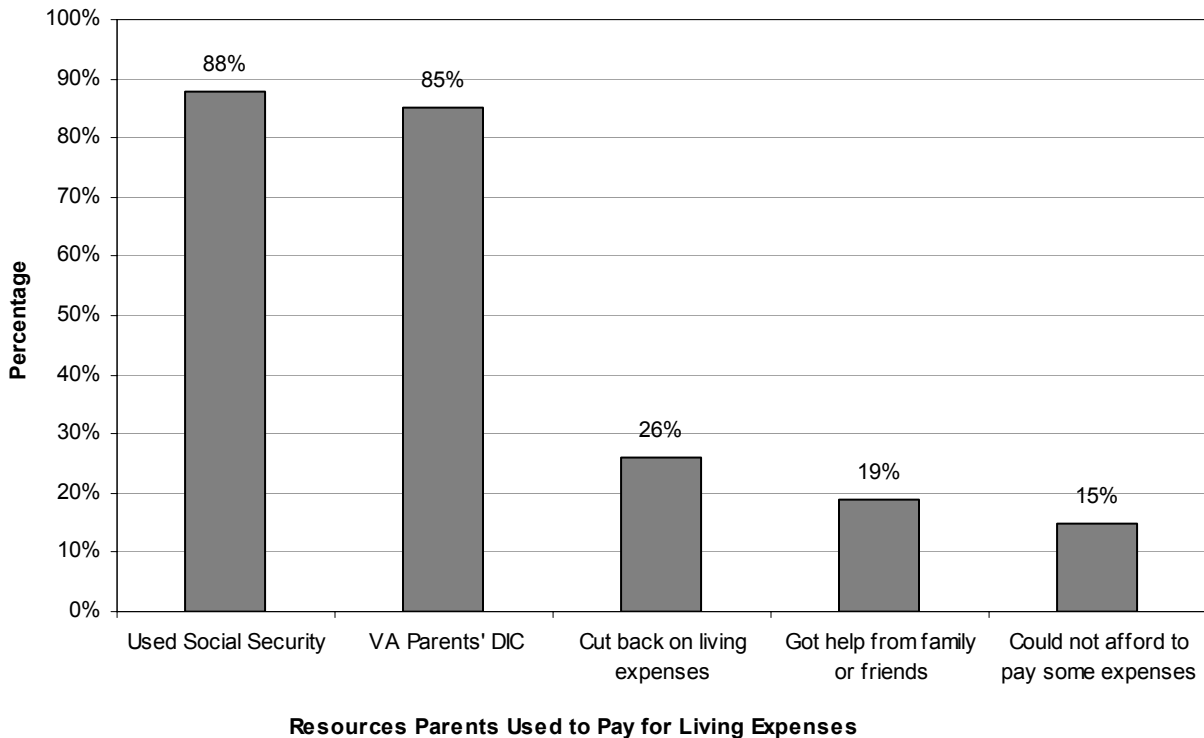
**Exhibit 5.4. Percentage of Parents' Average Annual Income Spent on Major Expenses**



### 2. What resources do parents use to pay for living expenses?

Parents overwhelmingly (88%) use their largest source of income—Social Security benefits—to pay for living expenses. During the past 12 months, 85 percent of parents also relied on their Parents' DIC benefits. However, the limitations or nonexistence of other financial resources is apparent, as 26 percent of parents cut back on their living expenses, 19 percent got help from family or friends, and 15 percent simply could not afford to pay some expenses. Overall, 13 percent of parents used welfare or other cash assistance programs, and 11 percent used credit cards, borrowed money, or took out a loan to pay for their living expenses during the past 12 months (Appendix C, Table 71). Only 5 percent of parents used their assets or savings. Exhibit 5.5 illustrates the top five ways parents paid for their living expenses during the past year.

**Exhibit 5.5. Resources Parents Used to Pay for Living Expenses in the Past 12 Months**



Source: Survey of Parents' DIC Participants, Appendix C, Table 71

**3. Do parents pay for others' living expenses, including health care?**

Nearly all the parent respondents (97%) do not pay for anyone else's living expenses. The few parents who do pay for the expenses of others are paying either for a spouse or an adult child who is not in school (Appendix C, Table 54). Almost all of the parents surveyed (98%) are not paying for anyone else's health care. Parents who pay for health care services typically pay for the health care of spouses and grandchildren (Appendix C, Table 43).

**4. Do parents pay for health care?**

Slightly more than one-third of the respondents (38%) indicate that they paid for health care services that were not covered by insurance during the past year (Exhibit 5.6). The most identified services that parents paid for out of pocket are routine preventive medical services, with some resources spent on diagnostic care. Prescription medications are identified by the highest percentage of respondents (21%) as an out-of-pocket health care expense during the past year, followed by doctor visits (13%), eyeglasses or eye exams (6%), and hospitalization (4%). With respect to the amount of the health care expenses, the most costly expenses are hospitalization (averaging \$3,196), emergency room visits (averaging \$2,974), and prescription medications (averaging \$1,323). Health care in a skilled nursing facility also has a substantial out-of-pocket cost for the parents (\$4,011); despite that, a small percentage of respondents acknowledge using this health care service (0.3%) (Appendix C, Tables 42.1a and 42.a.a).

## CHAPTER 5. ASSETS, EXPENSES, AND DEBT

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Parents who received financial support from the deceased veterans and those receiving \$5 in VA benefits are the most likely groups to report paying out-of-pocket for health care services (41% and 42%, respectively) (Appendix C, Tables 42.1a). Furthermore, the percentage of parents reporting paying for health care services decreased with the increasing amount of VA benefits. Forty percent of parents with \$100 or less in VA benefits report paying for health care, compared with 37 percent of those receiving \$100–\$400 and 34 percent of parents with the largest award amount. However, parents with the largest award amount report the largest overall health care costs (averaging \$2,335), especially hospitalization (averaging \$19,155) (Appendix C, Tables 42.a.a).

**Exhibit 5.6. Parents' Health Care Expenses in the Past 12 Months**

Most Frequently Cited Health Care Expenses	Percentage of Parents	Annual Amount
Prescription medications	21%	\$1,322.96
Doctor visits	13%	\$446.68
Eyeglasses and/or eye exams	6%	\$191.62
Hospitalization	4%	\$3,196.43
Laboratory testing or monitoring	4%	\$545.92
Nonprescription medications recommended by a doctor	3%	\$269.56
Emergency room visits	2%	\$2,973.93
Dental care	2%	\$401.24
<b>Any/All health care expenses</b>	<b>37.8%</b>	<b>\$1,573.88</b>

*Source: Survey of Parents' DIC Participants, Appendix C, Tables 42.1a and 42.1a.a*

### **5. Do parents support dependents of the deceased veteran?**

Many parents resume financial responsibility for themselves upon the death of their veteran child. About half (49%) of the parents interviewed received financial support from their veteran son or daughter but now have to financially support themselves. Very few deceased veterans were supporting minor children, adult children, or grandchildren for whom Parents' DIC benefit recipients are now providing financially (Appendix C, Table 56.SP2.1). Only 2 percent of the parents surveyed are now spending a part of their income to support the dependents of their deceased son or daughter. Among those who support the deceased veteran's dependents, nearly half (45%) spend less than half of their income to maintain the veteran's dependents (Appendix C, Table 56.SP.2.2).

### **6. Do others help parents pay for living expenses?**

About one-fourth of the parents surveyed (26%) receive assistance from other people to pay for their living expenses. A slightly higher percentage of parents who relied on the support of a veteran before the veteran's death also receive assistance from someone to help pay for their living expenses (29%). Among those 64 and younger, 34 percent receive someone else's assistance to cover their expenses, compared with 21 percent of parents aged 65–79 and 28 percent of parents aged 80 and older (Appendix C, Table 56). Exhibit 5.7 depicts the basic necessities—food, utilities, and housing—identified

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## CHAPTER 5. ASSETS, EXPENSES, AND DEBT

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the most by parents as living expenses for which they received help from others in the last 12 months. (Appendix C, Table 56).

**Exhibit 5.7. Percentage of Parents Who Receive Help from Others to Pay for Their Living Expenses**

<b>Living Expenses That Others Help Parents Pay For</b>	<b>Percentage</b>
<b>Food or groceries</b>	17%
<b>Utilities</b>	13%
<b>Housing, such as rent or mortgage</b>	10%
<b>Health care expenses</b>	5%
<b>Car or transportation</b>	4%
<b>Clothes or shoes</b>	4%
<b>Taxes (income, property, any other taxes)</b>	2%
<b>Other expenses</b>	0.7%
<b>Loans or debts</b>	0.7%
<b>Life insurance, homeowner's insurance, or other home insurance</b>	0.4%
<b>Funeral expenses</b>	0.2%
<b>Child-related expenses, such as child care, preschool, school</b>	-
<b>Parents' education</b>	-

*Source: Survey of Parents' DIC Participants, Appendix C, Table 56*

Adult children often help parents pay for living expenses. Seventeen percent of parents received help with groceries, often from an adult child (77%). A similar proportion of adult children help their parents pay for utilities—identified by 13 percent of the parents as the area where they required help—and for housing costs, for which 10 percent of the parents received assistance to meet this living expense. When compared with younger respondents, higher percentages of the most elderly parents, those aged 80 and older, received financial assistance from an adult child. At least 80 percent of those parents indicate that they received help from adult children to pay for food, utilities, and housing (Appendix C, Table 56a). Exhibit 5.8 presents the top three living expenses for which parents received assistance paying and the people who provided the financial assistance.

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**Exhibit 5.8. The Three Most Noted Living Expenses for Which Parents Received Assistance and the People Who Provided This Assistance**

Living Expenses	Overall Percentage of Parents Receiving Assistance	Top Three Assistance Providers	Percentage of Parents Receiving Help
Food or groceries	17%	Adult children	77%
		Grandchildren	9%
		Spouse	6%
Utilities	13%	Adult children	78%
		Spouse	8%
		Grandchildren	4%
Housing, such as rent or mortgage	10%	Adult children	75%
		Grandchildren	7%
		Siblings	7%

Source: Survey of Parents' DIC Participants, Appendix C, Tables 56 and 56a

### C. WHAT DEBTS DO PARENTS HAVE?

#### I. What types and amounts of debt do parents have?

Personal debt is another expense parents must cover in addition to living expenses. A substantial proportion of parents experience financial obligations that subtract from resources they would use to meet their basic living expenses. One-third (33%) of the surveyed parents indicate that they have accumulated debts. The most frequent type of debt is credit card debt (18%), followed by health care bills (9%), home mortgage (7%), and other consumer loans (4%) (Exhibit 5.8). With respect to the amount owed, home mortgage (averaging \$23,299), vehicle loans (averaging \$5,812), health care bills (averaging \$4,439), and credit cards (averaging \$4,342) are among the largest debts. In addition, educational loans produce a substantial amount of debt (averaging \$6,000), despite the small percentage of parents reporting this debt (0.3%) (Appendix C, Tables 48.1 and 48.1a).

Debt is inversely related to age. Among those surveyed, more than half (56%) of the parents aged 64 and younger have debt, compared to 40 percent of the parents aged 65–79 and 21 percent of the parents aged 80 and older (Exhibit 5.9). The inverse relationship between age and debt is especially evident for the credit card debt—30 percent of parents aged 64 or younger have credit card debt, compared with 22 percent of parents 65–79 years old and 12 percent of the oldest respondents. Similarly, 19 percent of the youngest parents have health care debt, compared with 10 percent of those age 65–79 and 5 percent of the oldest respondents.

## CHAPTER 5. ASSETS, EXPENSES, AND DEBT

**Exhibit 5.9. The Five Most Frequent Sources of Parents' Debts and the Average Amounts of Debt**

Types of Debt	Average Amounts of Debt	Percentage of Parents with Debt			
		Overall Percentage	Age Group		
			64 and Younger	65–79	80 and Older
<b>Credit cards</b>	\$4,342.40	18%	30%	22%	12%
<b>Unpaid health care bills</b>	\$4,439.49	9%	19%	10%	5%
<b>Home mortgages</b>	\$23,298.52	7%	17%	9%	3%
<b>Other consumer loans</b>	\$2,718.84	4%	5%	5%	3%
<b>Car/Vehicle loans</b>	\$5,811.68	4%	10%	5%	2%
<b>Any debt</b>	<b>\$9,157.63</b>	<b>33%</b>	<b>56%</b>	<b>40%</b>	<b>21%</b>

*Source: Survey of Parents' DIC Participants, Appendix C, Tables 48.1 and 48.1a*

Non-White parents are more likely than White parents to report having debts (28% of White parents vs. 40% of non-White parents) (Exhibit 5.9.a). The greater financial strain experienced by non-White than White parents is apparent for virtually all types of debts. Non-White respondents are more likely than White respondents to have credit card debt (16% of White parents vs. 21% of non-White parents), unpaid health care bills (7% of White parents vs. 10% of non-White parents), home mortgages (6% of White parents vs. 9% of non-White parents), personal loans (2% of White parents vs. 4% of non-White parents), and other consumer loans (3% of White parents vs. 6% of non-White parents). However, White respondents are more likely than non-White respondent to report car loans (5% of White parents vs. 3% of non-White parents).

**Exhibit 5.9.a. Most Frequent Sources of Parents' Debts, by Race**

Sources of Debt	Percentage of White Parents	Percentage of Non-White Parents
<b>Credit cards</b>	16%	21%
<b>Unpaid health care bills</b>	7%	10%
<b>Home mortgages</b>	6%	9%
<b>Personal loans—owe money to people</b>	2%	4%
<b>Car or vehicle loans</b>	5%	3%
<b>Other consumer loans</b>	3%	6%
<b>Educational loans</b>	<1%	1%
<b>Overdue taxes</b>	2%	2%
<b>Child support or alimony</b>	0%	0%
<b>Other debts</b>	<1%	<1%
<b>Any debt</b>	<b>28%</b>	<b>40%</b>

*Source: Survey of Parents' DIC Participants*

## CHAPTER 5. ASSETS, EXPENSES, AND DEBT

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### 2. What living expenses do parents pay by incurring debt?

Some parents incur debt to pay for basic living expenses. Slightly less than one-fourth (24%) of the parents surveyed indicate that they use credit cards, consumer loans, or personal loans to pay for their daily living expenses. Parents use credit cards or loans to purchase the basic necessities—42 percent used credit cards to pay for clothing or shoes, and 34 percent purchased food on credit (Appendix C, Table 48.1.5.1). As with personal debt, higher percentages of younger parents, (aged 64 and younger) use credit cards to cover their basic living expenses, while older parents either do without or find other means to cover their living expenses by using a combination of other strategies, discussed in Chapter 8. Exhibit 5.10 presents the most frequent living expenses that parents pay for by incurring credit card debt.

**Exhibit 5.10. Most Frequently Cited Living Expenses Paid for by Incurring Debt Among Parents\* Who Use Credit Cards, Consumer, or Personal Loans to Pay for Living Expenses**

Living Expense	Percentage of Parents Incurring Debt to Cover the Expense
Clothing or shoes	42%
Food or groceries	34%
Other expenses	25%
Health care	23%
Utilities	15%
Car or transportation	15%
<b>Total Respondents Incurring Debt to Pay for Living Expenses</b>	<b>292</b>

Note: Other expenses exclude loans or debts, education, child-related expenses, funeral expenses, life or homeowner's insurance, and housing.  
\*Percentages are for the 24 percent of parents who incurred debt to pay for living expenses.

Source: Survey of Parents' DIC Participants, Appendix C, Table 48.1.5.1

## D. SUMMARY

The results of the Parents' DIC survey show that parents have few assets outside of their home (38%) and vehicles (16%). Most parents (56%) do not have assets valued at more than \$1,000. Only 2 percent of parents report that they have investments, although 17 percent report some type of savings that they can tap to pay for living expenses. The average amount of savings among these parents is \$3,003. Less than 1 percent of parents have land that they can potentially use for income. Among those, a substantial portion say that the land is not productive.

Parents were asked to report their three largest living expenses. Respondents most often list utilities, food, housing, health care, and taxes as their largest living expenses. Those who have these expenses pay the most for housing (\$3,345) and for medical care (\$2,495). The primary income source among parents is Social Security, with 86 percent of parents receiving Social Security benefits. Parents' DIC benefits are the second largest source of income for parents. These two sources are the ones parents primarily use to pay expenses. A few parents do not meet their living expenses by using these

## CHAPTER 5. ASSETS, EXPENSES, AND DEBT

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resources—they cut back their expenses, do without the necessities, or rely on family or friends. About one-fourth of parents receive financial assistance from someone else to help them meet their living expenses. In most instances, an adult child provides the financial assistance to pay for food, utilities, and housing.

Two-thirds of parents have no debt. One-third of parents use their income to pay off debt and to cover current living expenses. Parents have debts from credit cards, unpaid health care expenses, car loans, personal loans, and mortgages. The average debt among those with debt is \$9,158. Debt is inversely related to age—younger parents have more debt; older parents have less debt. One-fourth of all parents say that they incur debt to pay for living expenses. More non-White parents have debt and use credit to pay for living expenses than White parents do.

Overall, parents have few resources beyond their Social Security and DIC income to tap for covering routine living expenses and unexpected needs.





# CHAPTER 6. INCOME

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As discussed in Chapter 2, Program Goals, Outcomes, and Measures, two key outcomes for the Parents' DIC program are recipients' income and recipients' basic security. The distinction between income and basic security is that the former addresses people's immediate financial needs (whether the benefit and other income are enough to provide a basic standard of living), whereas the latter is the long-term prognosis for financial stability ("Can I depend on receiving the Parents' DIC benefit every month?"). The purposes of analyzing program participants' income are to develop specific measures for the broad outcomes of income and basic security and to provide a basis for determining whether the program achieves these outcomes.

Chapter 6 reports the overall income profile of program participants, the factors affecting the Parents' DIC benefit amounts, basic security outcomes, interaction with other Government programs, and comparison to the low-income, means-tested population.

## A. WHAT IS THE OVERALL INCOME PROFILE OF PARENTS?

This section presents the annual income, including other Government means-tested assistance income, received by Parents' DIC participants. This assessment describes the income levels of Parents' DIC program participants and reports how much income they receive from all sources.

We focus on two data sources for measuring income: the VA administrative files and the Survey of Parents' DIC Participants. Average annual income and assistance income for specific programs are based on the total number of parents participating in this program and the total number of parents receiving at least one form of assistance income. Average annual income is also reported by age, race, living arrangements, gender, health, and veteran support.

### I. What is parents' total annual income?

Exhibit 6.1 presents the overall annual total household income as well as the annual DIC benefit amount of parents receiving DIC, by income source, based on data from VA administrative files. Sources include Social Security benefits, Parents' DIC payments, earned income, other retirement income, and other income, but exclude income from need-based or means-tested<sup>1</sup> Government assistance programs such as Supplemental Security Income (SSI), welfare, food stamps, and subsidized housing. The average household income of parents is \$7,926 per year for 1,237 survey participants. The median household income is \$7,177 per year. The largest source of income is Social Security benefits, which represents approximately 69 percent of annual total income on average. Parents' DIC payments are the second largest source of income, providing on average 28 percent of total annual household income. Other retirement income, earned income, and other income sources constitute only about 3 percent of total average annual income.

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<sup>1</sup> 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 non-cash assistance, such as food stamps, housing assistance, home heating assistance, childcare subsidies, and other programs.

## CHAPTER 6. INCOME

Exhibit 6.1. Annual Household Income and Amount of DIC Benefit of Parents (Excluding Cash and Non-cash Federal Need-Based Assistance)

Income Source	Average* Household Income	Average** Parents' DIC Benefit	Median Household Income	Percentage of Income	Percentage of Parents Receiving Income
<b>Parents Under 65</b>					
<b>Social Security benefits**</b>	\$2,049	\$1,190	\$0	34.5%	31.9%
<b>Parents' DIC benefit</b>	\$3,332	\$3,332	\$3,948	56.1%	100.0%
<b>Other retirement income</b>	\$193	\$203	\$0	3.3%	3.4%
<b>Other income</b>	\$132	\$2,404	\$0	2.2%	10.1%
<b>Earned income</b>	\$233	\$1,651	\$0	3.9%	5.9%
<b>Average household income</b>	<b>\$5,938</b>	<b>N/A</b>	<b>\$5,484</b>	<b>100.0%</b>	<b>N/A</b>
<b>Total number of parents</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>	<b>119</b>
<b>Parents 65 and Older</b>					
<b>Social Security benefits***</b>	\$5,791	\$1,767	\$5,772	71.2%	88.8%
<b>Parents' DIC benefit</b>	\$2,133	\$2,133	\$1,530	26.2%	100.0%
<b>Other retirement income</b>	\$149	\$1,031	\$0	1.8%	6.2%
<b>Other income</b>	\$60	\$1,763	\$0	0.7%	9.4%
<b>Earned income</b>	\$6	\$2,033	\$0	0.1%	0.4%
<b>Average Household Income</b>	<b>\$8,138</b>	<b>N/A</b>	<b>\$7,249</b>	<b>100.0%</b>	<b>N/A</b>
<b>Total Number of Parents</b>	<b>1,118</b>	<b>1,118</b>	<b>1,118</b>	<b>1,118</b>	<b>1,118</b>
<b>Parents—Total</b>					
<b>Social Security benefits***</b>	\$5,431	\$1,746	\$5,556	68.5%	83.3%
<b>Parents' DIC benefit</b>	\$2,248	\$2,248	\$1,680	28.4%	100.0%
<b>Other retirement income</b>	\$131	\$985	\$3	1.7%	5.9%
<b>Other income</b>	\$66	\$1,829	\$0	0.8%	9.5%
<b>Earned income</b>	\$27	\$1,810	\$0	0.3%	1.0%
<b>Average Household Income</b>	<b>\$7,926</b>	<b>N/A</b>	<b>\$7,177</b>	<b>100.0%</b>	<b>N/A</b>
<b>Total Number of Parents</b>	<b>1,237</b>	<b>1,237</b>	<b>1,237</b>	<b>1,237</b>	<b>1,237</b>
*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.					
Note: The median value is zero when those at and under the 50th percentile are zero.					

Source: VA administrative files

Exhibit 6.1 also shows the DIC benefit amount received by income source. For example, for those parents (83.3%) who receive income from Social Security, the DIC benefit amount is \$1,746 annually, or lower than the average DIC benefit of \$2,248.

Eighty-three percent of the parents receive Social Security benefits. Other retirement income supplies \$131 per year to 5.9 percent of parents. Only 10.5 percent of parents receive other income, including earned income. Parents under 65 years old receive significantly less income than do parents 65 years of age and older. Parents under 65 years of age report an average household income of \$5,938 compared to \$8,138 for parents 65 years and older. On average, parents under 65 years of age receive 56.1 percent of income from the Parents' DIC program versus 26.2 percent for parents 65 years of age and older. Parents 65 years of age and older receive 71.2 percent of income from Social Security benefits, while parents under 65 years old receive only 34.5 percent of income from this source. Additionally, only 31.9 percent of parents under 65 years old receive Social Security benefits while 88.8 percent of parents 65 years of age and older receive this benefit.

### **2. What income do parents receive from other federal means-tested assistance programs?**

The study team analyzed the amount of annual means-tested assistance income obtained by parents based on data from the Parents' DIC Survey. 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. SSI, welfare, Temporary Assistance for Needy Families (TANF), general assistance, and any other governmental cash assistance are then included in overall assistance program income.

As shown in Exhibit 6.2, means-tested assistance income totals based on all parents' income indicate that parents receive an annual average of \$566 in assistance, representing 7 percent of total household income. Of the \$566 in assistance income, \$303 comes from noncash assistance programs. The highest average non-cash assistance income comes from food stamps, representing 1.5 percent of total average income by providing \$131 a year. Supplemental Security Income (SSI) supplies the largest cash income of \$235.

## CHAPTER 6. INCOME

**Exhibit 6.2. Annual Household Income from Other Federal Means-Tested Assistance Programs: Averages Based on All Parents Receiving DIC Benefit**

Income Source	Average* Dollars	Percentage of Income
<b>Non-cash Assistance Programs</b>		
Food stamps	\$131	1.5%
Subsidized housing or other housing assistance	\$113	1.3%
Home heating assistance	\$39	0.5%
Other assistance programs	\$12	0.1%
Childcare subsidies	\$10	0.1%
<b>Average Assistance Income from Five Non-cash Programs</b>	<b>\$303</b>	<b>3.6%</b>
<b>Cash Assistance Programs</b>		
SSI	\$235	2.8%
Welfare, TANF, general assistance, or any other governmental cash assistance	\$28	0.3%
<b>Average Assistance Income from Cash Programs</b>	<b>\$263</b>	<b>3.1%</b>
<b>Average Cash and Non-cash Assistance Income</b>	<b>\$566</b>	<b>6.7%</b>
<b>Total Household Income EXCLUDING Income from Assistance Programs</b>	<b>\$7,926</b>	<b>93.3%</b>
<b>Total Household Income Including Income from Cash Assistance Programs</b>	<b>\$8,189</b>	<b>96.4%</b>
<b>Total Household Income Including Income from Cash and Non-cash Assistance Programs</b>	<b>\$8,492</b>	<b>100%</b>
<b>Total Number of Parents</b>	<b>1,237</b>	<b>1,237</b>

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

Source: Survey of Parents' DIC Participants and administrative records

Exhibit 6.3 displays annual assistance income based on the income of those receiving other Government means-tested assistance. The statistical average is calculated only for those who receive the assistance and excludes parents who do not participate in the assistance program. Total annual means-tested assistance income is calculated by counting only those parents receiving income from at least one assistance program. Of the 1,237 parents receiving DIC benefit, 508 are receiving at least one form of assistance. Average assistance income for those receiving non-cash assistance is \$808. Average assistance income including cash assistance is \$1,460.

Of the assistance programs participants, 20.9 percent receive food stamps. This non-cash assistance program serves most of the people receiving any assistance and provides an average additional income of \$646 per year for those who receive food stamps. Subsidized housing provides the highest average benefit of all cash and non-cash assistance programs. However, only 6 percent of the assistance program participants receive benefits from the subsidized housing program.

**Exhibit 6.3. Annual Household Income from Other Federal Means-Tested Assistance Programs:  
Averages Based on Parents Receiving Income from  
At Least One Assistance Program**

Income Source	Average Dollars	Median Dollars	Percentage Receiving Assistance Income
<b>Non-cash Assistance Programs</b>			
Subsidized housing or other housing assistance	\$3,827	\$3,000	6.0%
Childcare subsidies	\$2,345	\$1,380	0.4%
Other assistance programs	\$2,147	\$564	0.7%
Food stamps	\$646	\$432	20.9%
Home heating assistance	\$359	\$200	13.1%
<b>Average Assistance Income for Non-cash Assistance Programs</b>	<b>\$808</b>	<b>\$510</b>	<b>32.3%</b>
<b>Cash Assistance Programs</b>			
Welfare, TANF, general assistance, or any other governmental cash assistance	\$2,173	\$1,014	1.6%
SSI	\$1,706	\$1,284	14.6%
<b>Average Assistance Income (including cash assistance programs)</b>	<b>\$1,460</b>	<b>\$780</b>	<b>41.1%</b>
<b>Total Number of Parents in At Least One Assistance Program</b>	<b>508</b>	<b>508</b>	<b>508</b>

Source: Survey of Parents' DIC Participants

**3. How does parents' annual income differ by demographic characteristics?**

Exhibit 6.4 presents average and median annual total income (including Parents' DIC, but excluding need-based Government assistance) for parents by age, race, gender, support from veteran, living arrangement, and health status. Parent characteristics are compiled from the Parents' DIC survey; income comes from VA administrative records.

Parents who received no support from the veteran receive approximately \$739 more per year than parents who had received support from their veteran child. Parents under 64 years old report the lowest income, with an average annual income of \$6,229. Parents living in a nursing home, hospital, assisted living, dormitory, or a shelter reported the highest income of \$8,648.

Significant differences occur in income levels between races. Non-White includes Black or African American, Asian, Native Hawaiian, Other Pacific Islander, American Indian, Alaska Native, and other. Non-White parents obtain more than \$1,000 less in income per year than White parents, reporting an average income of \$7,269 and a median income of \$6,998. There are significantly more female parents receiving DIC benefit than male parents. The 1,157 female parents have an average total annual income of \$7,801, approximately \$2,000 a year less than the male average total annual income. There is no significant difference between the income of parents living alone and those not living alone.

## CHAPTER 6. INCOME

Exhibit 6.4. Annual Average Income of Parents' DIC Survey Respondents, by Demographic Characteristic

Parent Characteristics	Average Dollars	Median Dollars	Number
<b>Age</b>			
Less than 64 years old	\$6,229	\$5,484	121
65–79 years old	\$7,791	\$7,155	586
Over 80 years old	\$8,502	\$7,454	530
<b>Race</b>			
White	\$8,413	\$7,554	706
Non-White	\$7,269	\$6,998	491
<b>Support From Veteran</b>			
Yes	\$7,553	\$7,053	601
No	\$8,292	\$7,464	636
<b>Gender</b>			
Male	\$9,739	\$8,814	80
Female	\$7,801	\$7,155	1,157
<b>Living Arrangement Facility</b>			
House	\$7,863	\$7,176	726
Apartment, condo, or townhouse	\$7,479	\$7,112	308
Nursing home, hospital, assisted living, dormitory, or shelter	\$8,648	\$7,988	70
Other	\$7,896	\$7,193	133
<b>Living Alone</b>			
Yes	\$7,704	\$7,172	723
No	\$7,896	\$7,116	462
<b>Health Status</b>			
Very good to excellent	\$7,590	\$7,143	110
Fair to good	\$7,743	\$7,129	597
Very poor to poor	\$8,240	\$7,308	519
N/A	\$6,392	\$6,785	11
<b>Total</b>	<b>\$7,926</b>	<b>\$7,177</b>	<b>1,237</b>

Source: Survey of Parents' DIC Participants and administrative records

## B. WHAT FACTORS AFFECT PARENTS' DIC BENEFIT AMOUNTS?

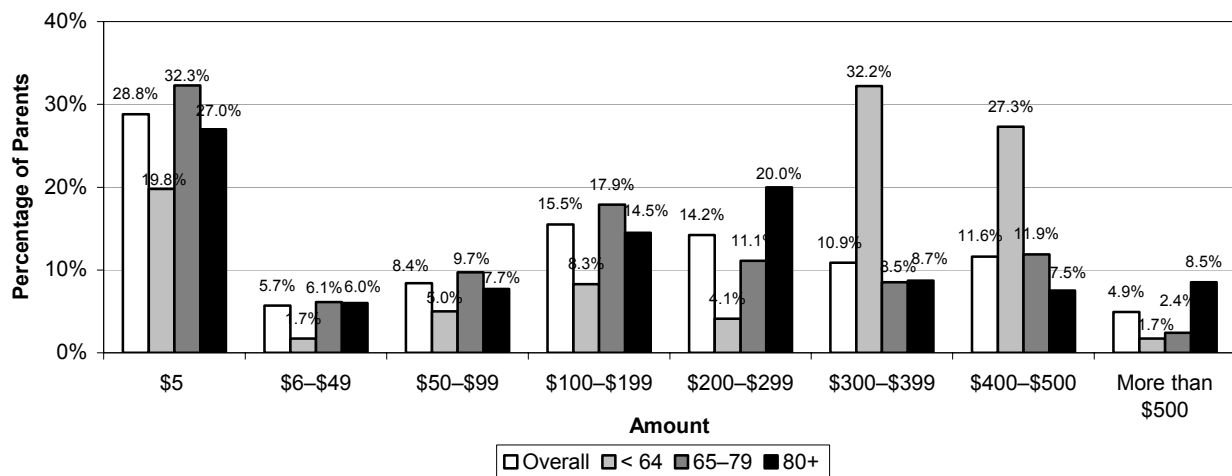
An important question for the income support outcome for the Parents' DIC program is the following: Does the program provide greater income support to those with greater needs? The need-based principle is incorporated into the program through the eligibility criteria and the method of defining income for eligibility and payment. The Parents' DIC program requires that the income of the parent 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 parent characteristics relating to VA benefit amounts, and impact of possible deductions that are not considered by the program.

### I. What DIC benefit amounts do parents receive?

Parent respondents receive an average monthly benefit of \$187.37 from the Parents' DIC program. Parents who receive the smallest award amount, \$5, comprise the largest group of beneficiaries—29 percent. About 43 percent of the respondents receive payments of \$100 or less, nearly 41 percent receive payments of \$100–\$400, and approximately 17 percent receive payments of \$400 or more. Within the \$100–\$400 award level, 16 percent of the parents receive \$100–\$199, while 14 percent receive the next increment, \$200–\$299. In the highest award category, about 12 percent of the respondents receive \$400–\$500. The average Parents' DIC benefit for those in the 64-years-and-younger group was the highest at \$271.49; about \$70 more than the oldest respondents receive on average. Interestingly, despite the larger Parents' DIC payments, this group's total income is lower than that of other age groups. The lowest average payments are received by those 65–79 years of age, at \$160.64; 48 percent of the 586 parents in this age group receive \$100 or less. Parents who received financial support from a veteran before the veteran died receive an average monthly payment of \$206 (Appendix C, Table 2.1). Exhibit 6.5 presents parents' monthly DIC payment levels at the time the survey sample was drawn—June 2002.

Exhibit 6.5. Monthly DIC Payments to Parents in June 2002



Source: Survey of Parents' DIC Participants, Appendix C, Table 2.1



## CHAPTER 6. INCOME

### 2. How are countable family income and DIC benefit levels determined?

The level of countable family income (CFI) and the maximum monthly benefit determine the amount of VA benefits. CFI is the household income net of certain exclusions. Other VA benefits, SSI, Medicaid benefits, TANF benefits, 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 countable family income.

In addition to the exclusions from income, applicants are allowed certain deductions when determining annual countable family income, such as any UMEs that exceed 5 percent of CFI limit, educational expenses, expense of last illness and burial, and operating expenses of a business. For a full list of the exclusions from the annual countable family income, see 38 CFR §3.272.

The maximum amount depends on whether the surviving parents are both still living and married to each other or have remarried. Exhibit 6.6 summarizes the annual countable family income limits above which no benefits are payable. Exhibit 6.7 summarizes the 2002 benefit amounts payable under various parent statuses and amounts of countable family income.

**Exhibit 6.6. Annual CFI Limits for Parents' DIC Benefit Amounts (as of December 1, 2002)**

Parents' Status	Countable Family Income Limit
Sole surviving parent—not remarried	\$11,024
Sole surviving parent—remarried, living with spouse	\$14,817
One of two surviving parents—not living with spouse	\$11,024
One of two surviving parents—living with spouse or other parent	\$14,817

Note: If entitled to Aid and Attendance allowance add \$250 to the monthly rate.

Source: VA Web site

**Exhibit 6.7. Decrement Rates for Parents' DIC Benefit Amounts (as of December 1, 2002)**

Parent's Status	Maximum Monthly Benefit	Monthly Decrement Rate	Excess of Annual Countable Family Income Range
Sole surviving parent—not remarried	\$464	\$0.08 for each additional \$ of CFI over \$899 per year	
Sole surviving parent—remarried, living with spouse	\$464	\$0.08 for each additional \$ of CFI over \$899 per year	
One of two surviving parents—not living with spouse	\$334	\$0.06 for each additional \$ of CFI between \$900–\$999 per year	
		\$0.07 for each additional \$ of CFI between \$1,000–\$1,199 per year	
		\$0.08 for each additional \$ of CFI between \$1,200–\$4,900 per year	

Parent's Status	Maximum Monthly Benefit	Monthly Decrement Rate	Excess of Annual Countable Family Income Range
One of two surviving parents—living with spouse or other parent	\$314	\$0.03 for each additional \$ of CFI between \$1,100–\$1,599 per year	
		\$0.04 for each additional \$ of CFI between \$1,600–\$1,999 per year	
		\$0.05 for each additional \$ of CFI between \$2,000–\$2,499 per year	
		\$0.06 for each additional \$ of CFI between \$2,500–\$2,999 per year	
		\$0.07 for each additional \$ of CFI between \$3,000–\$3,299 per year	
		\$0.08 for each additional \$ of CFI between \$3,300–\$5,662 per year	

Source: VA Web site

Sole surviving parents who are not remarried receive a maximum monthly benefit of \$464. As illustrated in the Exhibit 6.7, the benefit is decreased by \$0.08 for each additional dollar of annual countable family income above \$899. Parents with an annual countable family income of between \$6,538 and the limit of \$11,024 receive a monthly benefit of \$5. Sole surviving parents who are remarried and living with their spouse also receive a maximum monthly benefit of \$464. The benefit is decreased by \$0.08 for each additional dollar of countable family income above \$899. Parents with an annual countable family income of between \$6,538 and the limit of \$14,817 receive a monthly benefit of \$5.

Two surviving parents not living together receive a maximum monthly benefit of \$334. The maximum benefit is decreased for each additional dollar of annual countable family income above \$899, as illustrated in Exhibit 6.7. Parents with an annual countable family income between \$4,963 and the limit of \$11,024 receive a monthly benefit of \$5. Finally, one of two surviving parents living with a spouse or other parent receives a maximum monthly benefit of \$314. Again, the maximum benefit is decreased for each additional dollar of countable family income above \$899 as illustrated by the schedule in Exhibit 6.7. Parents with an annual countable family income between \$5,725 and the limit of \$14,817 receive a monthly benefit of \$5. Parents who are eligible for aid and attendance receive an additional Parents' DIC benefit of \$250 per month.

Maximum monthly benefit amounts and countable family income limitations are indexed to annual Social Security cost-of-living adjustments so that an increase in Social Security benefits will not cause an equivalent decrease in Parents' DIC benefits.

**3. How do parent characteristics relate to benefit amounts?**

The study team conducted statistical analysis of the characteristics of parents that are related to Parents' DIC benefit amounts. Characteristics that might relate to benefit amounts include socioeconomic and financial characteristics of parents who receive Parents' DIC benefits. Exhibit 6.8 presents the definitions of potential characteristics. All the variables are constructed using the responses from the survey of Parents' DIC participants.

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Exhibit 6.8. Definitions of Variables Used in the Analysis

Variables	Definition	Average	Number of Observations
<b>Award amount</b>	Monthly VA Parents' benefits	187	1,237
<b>Characteristics That Might Affect Award Amount</b>			
<b>Age</b>	Age of the parent in 2002	78	1,237
<b>Good health</b>	= 1 if the parent is in excellent, very good, or good health = 0 if the parent is in fair, poor, or very poor health	.58	1,226
<b>Veteran</b>	= 1 if the parent is a veteran	.03	1,235
<b>Male</b>	= 1 if the parent is male	.06	1,237
<b>White</b>	= 1 if the parent is White; = 0 if the parent is non-White	.59	1,197
<b>Married</b>	= 1 if the parent is married = 0 if the parent is single	.09	1,231
<b>High school education</b>	= 1 if the parent has at least a high school degree = 0 if the parent has no high school degree	.26	1,216
<b>Had veteran support</b>	= 1 if the parent was supported financially by the veteran when the veteran was alive	.49	1,237
<b>Homeowner</b>	= 1 if parent owns a home	.38	1,237
<b>Has assets</b>	= 1 if the parent has at least one asset, other than a home, worth more than \$1,000	.18	1,222
<b>Has debt</b>	= 1 if the parent has debt	.35	1,231
<b>Gives financial support</b>	= 1 if the parent pays for someone else's living expenses	.03	1,236
<b>Gets financial support</b>	= 1 if someone else helps pay for the parents' living expenses	.26	1,235

Source: Survey of Parents' DIC Participants and VA administrative records

The study team used multivariate analysis to determine which characteristics of Parents' DIC participants explain differences in benefit amounts. Multivariate analysis allows the impact of a given socioeconomic or financial characteristic on VA Benefit amounts to be isolated from other factors. The technical appendix to the multivariate analysis is included in Appendix A.

Exhibit 6.9 presents results from the analysis. Of the 15 characteristics that might affect Parents' DIC benefit amounts, 9 significantly relate to the benefit amount. The characteristics with the greatest impact on benefit amounts are marital status, gender, debt holdings, and living situation. For example, parents who are married receive \$68 less in monthly benefits than parents who are single. Parents who have an

asset worth \$1,000, other than a home, receive \$33 less in monthly payments than parents who own no other assets. Parents who live alone receive \$36 less in monthly benefits than parents who do not live alone.

**Exhibit 6.9. Significant Factors in Determining VA Benefit Amounts**

<b>Significant Characteristics</b>	<b>Impact</b>	<b>Comparison Group</b>
<b>Married</b>	Married parents receive \$68 less in monthly Parents' DIC benefits.	Single
<b>Male</b>	Male parents receive \$46 less in monthly Parents' DIC benefits.	Female
<b>Good health</b>	Parents who are in good health receive \$33 less in monthly Parents' DIC benefits.	Poor health
<b>Have assets</b>	Parents who have at least one asset worth \$1,000, other than a home, receive \$32 less in monthly Parents' DIC benefits.	No other assets
<b>Live alone</b>	Parents who live alone receive \$36 less in monthly Parents' DIC benefits.	Lives with others
<b>Have debt</b>	Parents who have debt receive \$35 less in monthly Parents' DIC benefits.	No debt
<b>White</b>	Parents who are White receive \$20 less in monthly Parents' DIC benefits.	Non-White
<b>Age</b>	An additional year in the age of parents decreases monthly Parents' DIC benefits by \$1.	Not Applicable
<b>Had veteran support</b>	Parents who were supported by the veteran receive \$27 more in monthly Parents' DIC benefits.	Not supported by the veteran

*Source: Survey of Parents' DIC Participants and VA administrative records*

The results presented in Exhibit 6.9 are consistent with how VA determines benefit amounts. To determine the benefit, VA subtracts the Income for VA Purposes (IVAP) from a maximum amount. This means that the benefit amount is negatively related to a parent's household income.

For the most part, the results show that parents with characteristics that are generally associated with higher incomes (e.g., married, White) receive less monthly benefits than parents with characteristics that are generally associated with lower incomes (e.g., single, non-White).

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Parents who were financially supported by the veteran generally have lower household incomes than parents who did not receive financial assistance from the veteran. The results also establish that parents who received the veteran's financial support when he was alive receive higher monthly benefits.

This analysis indicates that the following demographic and socioeconomic characteristics determine VA Benefit amounts: age, race, gender, health, marital status, and living situation of the parent. The financial factors that influence VA Benefit amounts are asset and debt holdings of a parent and whether the parent received financial support from the veteran when he or she was alive.

### 4. Do parents report unreimbursed medical expenses to VA?

The analysis of the VA administrative files and the survey data indicate that some parents may not be claiming UMEs to obtain a larger Parents' DIC benefit. Among the 1,237 respondents, only 26.3 percent had a UME amount in the VA administrative files as of June 2002.<sup>2</sup> Four hundred and sixty seven respondents (37.8% of all respondents) indicated that they had incurred some health care expenses in the past 12 months. However, 75.6 percent of the 467 respondents had no UMEs in the VA administrative file, indicating that they did not report their medical expenses to VA by June of 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 through June 2002; the survey period began in Fall 2002 and ran into 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 6.10 reports health care expenses, household income, income for VA purposes (i.e., countable family income), monthly award, and households at or below the poverty<sup>3</sup> line between two groups: Those who reported health care expenses in the survey *and* UMEs in VA's administrative file, and those who reported health care expenses in the survey but did *not* report UMEs to VA. Parents who did not report UMEs received on average \$35 less in monthly DIC benefits than parents who reported UMEs. The household income of parents who did not report UMEs is on average \$1,396 less than that of parents who reported UMEs. Parents who did not report UMEs also have a 21 percent higher rate of being at or below the poverty threshold than do parents who reported UMEs.

Annual health care expenses for those who did not report UMEs are on average \$1,431; these parents receive a lower benefit because they did not report UMEs. If the medical expenses reported on the survey are included in the calculation of countable family income, then the poverty rate for parents who did not report medical expenses decreases by approximately 1 percentage point. This decrease reflects the allowable portion of UMEs that can be deducted—medical expenses above 5 percent of the maximum Parents' DIC benefit amount. For example, sole surviving parents are allowed to deduct UMEs greater than  $.05 * \$464 * 12 = \$278.40$  annually. This means that, on average, parents would be

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<sup>2</sup> Note that the VA administrative files only track recurring medical expenses. Since adjustments for medical expenses at the end of the year are done on a one-time basis, expense could have been reported and considered without that fact appearing in the administrative files.

<sup>3</sup> 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.

able to increase annual VA income by \$92.21 ( $$.08 * [\$1,431 - \$278.40]$ ), assuming they are the sole surviving parent. Some of the parents who have medical expenses but do not report UMEs are above poverty. Furthermore, results in the next section show that elderly parents who are below poverty are on average \$3,010 below poverty. A 1 percent decrease in poverty due to what is essentially a \$92.21 increase in annual household income is consistent with these findings. Even though there is a 21 percentage point difference in the poverty rate between parents 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 survey data show that parents who claim UMEs already have higher incomes net of VA payments than parents who do not claim UMEs.

**Exhibit 6.10. Expenses, UMEs, CFI, and Award Amounts, by Parents Who Report and Do Not Report UMEs\***

	Parents who Reported Health Care Expenses in the Survey...			
	but Did Not Have UMEs in VA's Administrative File		and Had UMEs in VA's Administrative File	
	Average	Median	Average	Median
<b>Total health care expenses</b>	\$1,431	\$480	\$2,212	\$1,000
<b>UMEs</b>	N/A	N/A	\$2,226	\$1,230
<b>Household income</b>	\$7,739	\$7,068	\$9,135	\$8,514
<b>Income for VA purposes</b>	\$5,122	\$4,989	\$4,978	\$4,648
<b>Monthly award</b>	\$163	\$118	\$198	\$145
<b>% receiving the minimum award amount (\$5)</b>	33.2%		28.3%	
<b>% at or below poverty<sup>4</sup></b>	77.1%		56.1%	
<b>Number of Parents</b>	136		331	

\*This exhibit includes only those parents who reported health care expenses in the survey.

## C. WHAT IS THE BASIC SECURITY OUTCOME?

One purpose of this study is to determine if parents can rely on the financial continuity and stability of the Parents' DIC benefit. The study team looked at a combination of measures including years receiving benefits, continuous receipt of benefit, program income levels, and opinions of parents involved in the program. The parents' opinions of their financial security are addressed in the next chapter.

Slightly more than two-thirds (70%) of parents have been receiving the benefit for more than 10 years (Exhibit 6.11). A majority of the parents (51%) received monthly Parents' DIC benefits for more than

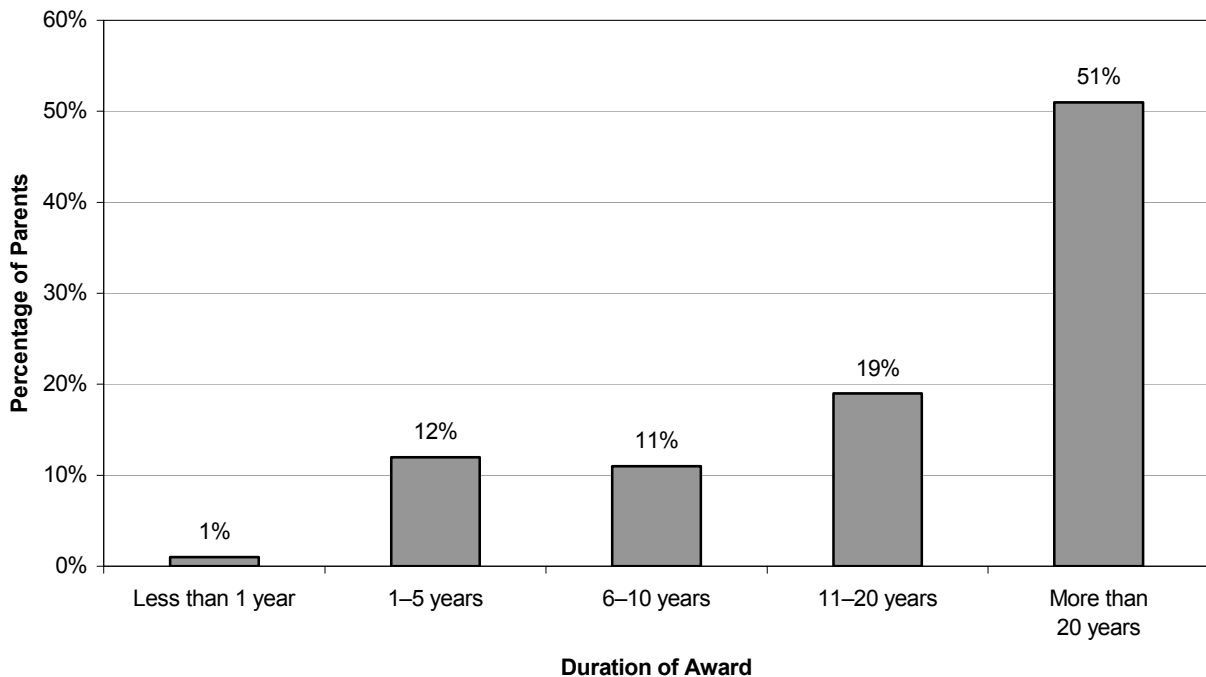
<sup>4</sup> It appears that some respondents report larger numbers of dependents on the survey than contained in VA administrative files. This may affect the percentage of parents below poverty in this analysis.

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20 years, and 19 percent have been receiving the benefit for 11–20 years. About 60 percent of the 530 parents aged 80 or older have received the benefit for 20 years of more, while 51 percent of parents in the 65–79 age group have received benefits for 20 years of more. Half of the 601 parents who received financial support from the veteran have also received benefits for more than 20 years.

**Exhibit 6.11. Duration of Parents' DIC Benefit**



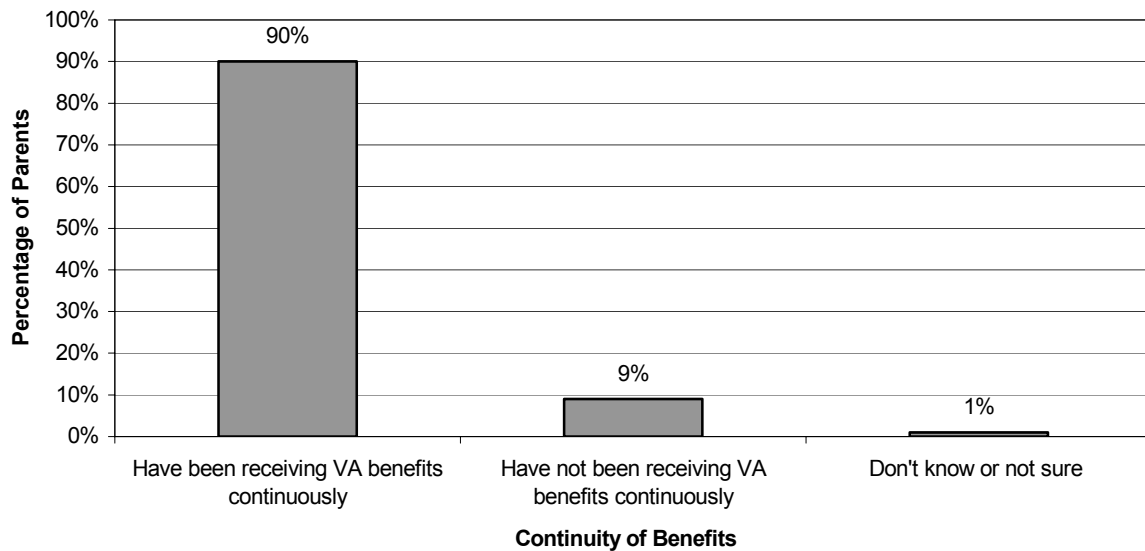
*Source: Survey of Parents' DIC Participants, Appendix C, Table 3*

Overall, 90 percent of the parents surveyed have received their VA benefit continuously since their enrollment in the program, as Exhibit 6.12 illustrates. When examining the findings by the amount of award received, a slightly lower percentage of parents receiving \$100 or less have had no interruptions in the receipt of their DIC benefit (85%). For the parents whose DIC benefits were interrupted, 33 percent have had their benefits stop and start one time during the past 5 years, 5 percent had their benefits interrupted twice, and 4 percent experienced an interruption three times.<sup>5</sup> However, a large percentage of parents (47%) who had experienced interruptions in receiving their DIC benefit could not recall how many times their benefits were interrupted and restarted (Appendix C, Table 20).

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<sup>5</sup> Percentages for this analysis were calculated based on the number of parents who have not been receiving VA benefits continuously and have been DIC program participants for at least 5 years.

**Exhibit 6.12. Parents Continuously Receiving DIC Benefit**



*Source: Survey of Parents' DIC Participants, Appendix C, Table 20*

**Do Parents' DIC Benefit Levels Change or Remain Stable?**

When considering the impact of the changes in benefit amounts on the finances of 1,215 Parents' DIC survey respondents who received benefits before 2000, few parents' benefit amounts changed outside of the cost-of-living increases. Few parents (5%) reported an increase in their benefits, while 6 percent stated that a decrease in benefit levels had occurred.

**D. HOW DOES PARENTS' DIC 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 included, type of deductions and expenses allowed, asset limits, and work requirements determine the participant's 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 Parents' DIC 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: Supplemental Security Income (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 served by those programs vary greatly. VA program recipients are older than non-VA program recipients. A large percentage of the recipients of the Parents' DIC program (93%) are 65 or older. Conversely, only 31 percent of SSI recipients, 10 percent of Medicaid recipients, 10 percent of



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food stamp recipients,<sup>6</sup> 32 percent of PH recipients,<sup>7</sup> and 17 percent of Section 8 Housing Choice Voucher recipients<sup>7</sup> are 65 or older.

Most beneficiaries of other Federal assistance programs are between 18 and 64 years old: SSI (55%), SSDI (81%), PH<sup>8</sup> (58%), and Section 8 Housing Choice Vouchers<sup>8</sup> (75%). Fewer than half of the recipients of the following programs fall into the 18–64 age group: Parents' DIC (7%), Medicaid (27%), and the Food Stamp<sup>9</sup> Program (39%).

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

Parents' DIC does not compare favorably to non-VA cash benefit programs for maximum benefit amounts. The maximum DIC benefit amount of \$466 per month (effective December 1, 2002) for a single parent is lower than the maximum SSI amount of \$545 a month for a single person. For the other programs, such as SSDI and TANF, that provide cash benefits, the comparison of the benefit amounts is complicated. The maximum benefit amounts for TANF vary by State, ranging from \$170 to \$923. The benefit amount for SSDI depends on past earnings and therefore varies by person. In the year 2001, the average SSDI amount was \$677 per month. In the year 2000, the maximum food stamp benefit for a family of four was \$426 per month. In 2001, the average food stamp benefit 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 relationships—spouses and children—not all individuals living in the home,<sup>10</sup> in determining benefit amounts.

The income limits usually set by the Federal Government also vary by program. Most programs use a percentage above the Federal poverty guideline. In the Parents' DIC program, as countable income increases, the benefit amount is reduced until a certain income threshold is reached (See Exhibits 6.6 and 6.7). 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 guidelines. 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 lower income limit at 80 percent and the very-low-income limit at 50 percent of the median income for the county or

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<sup>6</sup> Age bracket is "over 59."

<sup>7</sup> Age bracket is "over 62."

<sup>8</sup> Age bracket is "25-62."

<sup>9</sup> Age bracket is "18-59." In 2002, 51 percent of food stamp recipients were children.

<sup>10</sup> For instance, if an elderly parent 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 parent. Welfare assistance from HUD, HHS, and USDA would count the income of the adult children, as well as everyone living in the household, regardless of legal responsibilities for financial support.

metropolitan area in which the applicant lives. TANF and Medicaid income limits are set by the States. SSI limits are below the poverty guidelines.

In correspondence with VA's lower administrative costs, VA's income verification process is less cumbersome and less complex than those 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 Stamp 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 State wage records. The time for processing an application or verifying information is much shorter than that of VA.

The timeliness of benefits delivery varies by program. Recent data shows that VA takes 98.4 days to process an original claim for Parents' DIC, whereas SSI takes 90 to 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, food stamp offices are 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 parents can get from other programs, particularly SSI. Furthermore, receiving benefits from VA reduces the cost to other Federal programs. Although such reductions may not seem beneficial to the parents, they can be considered a response to one of the legislative intents—to enable the participant to be independent of welfare.

In contrast, any payment received from SSDI, workers' compensation, retirement, and annuities are considered countable income in determining eligibility for receiving Parents' DIC benefits. 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 SSI who is already receiving SSDI will find his/her anticipated SSI benefit reduced by the amount of SSDI he/she is receiving. On the other hand, when someone who is already receiving Medicaid applies for SSI, the amount of the benefit received from Medicaid does not affect the anticipated SSI benefit.

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

- ◆ People receiving SSI benefits are usually (depending on the State) automatically eligible to receive Medicaid and food stamp benefits

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- ◆ 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 stamp 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 SSI has labeled disabled is automatically considered disabled for HUD purposes.

SSI law requires that SSI applicants first file for all 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 SSI. SSA 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. People have 30 days from receipt of the notice to file for the benefits involved. SSI is the benefit of last resort.

Usually, SSI recipients are automatically eligible for Medicaid. A State may use either SSI 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 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 SSI law for certain Social Security beneficiaries who lose SSI eligibility because they are entitled to Social Security benefits or because of an increase in their Social Security benefits resulting from the following:

- ◆ 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.

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

The law also provides for Social Security offices to take food stamp applications from potentially eligible or eligible SSI households who are not already receiving food stamps and do not have any food stamp application pending. Food stamp applications from SSI households may be taken in connection with initial SSI 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 stamp offices if expedited service is required. Social

Security offices forward the food stamp applications and any supporting documents to the local food stamp offices within 1 day of taking the application. The food stamp office determines eligibility.

The Food Stamp Program is intertwined with the TANF and SSI programs in the following three ways: administratively with TANF; most TANF and SSI recipients are automatically eligible for food stamps; and the food stamp recipient population is made up largely of TANF and SSI participants. Typically, State and local offices administering TANF are the same offices that enroll people for food stamps and issue food stamp 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 SSI recipients eligible for food stamps. However, food stamp 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 stamp aid represents a second or third form of governmental assistance. For example, as shown in Exhibit 6.13, TANF contributed to the income of 35 percent of food stamp households. TANF was the only cash income of a large majority of the households. SSI benefits also went to about 30 percent of households receiving food stamps.

Although not shown in Exhibit 6.13, according to the *Characteristics of Food Stamp Households: Fiscal Year 2000*, only 1.4 percent of food stamp 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 DIC or Pension benefits. Exhibit 6.3 contains the percentages of parent survey respondents who say they receive food stamps, housing assistance, and other government aid. Since it was not possible to separate VA DIC benefits from VA Pension benefits, the two programs are grouped together in Exhibits 6.13 and 6.14.

**Exhibit 6.13. Program Overlaps: Food Stamps, Medicaid, Public Housing, and Veterans Affairs, 1997–1998**

Benefit Received	Percentage of Households/Individuals Receiving Assistance from Government Programs			
	Food Stamps	Medicaid	Public Housing	VA DIC or Pension
<b>TANF</b>	35.0%	22.5%	21.6%	1.4%
<b>SSI</b>	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 6.14 shows that from 1997 to 1998, 81 percent of TANF recipients received food stamp benefits, 97.3 percent received Medicaid coverage, 32.2 percent were in public housing, and 1.1 percent of recipients 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.

Although one may conclude that the existence of the Parents' DIC program prevents parents from turning to other Federal need-based programs, that would be in conflict with program intent. It is not surprising that few participants in other Federal need-based programs receive Parents' DIC benefit, because the total number of parents receiving Parents' DIC is a small fraction of the total population.

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**Exhibit 6.14. Program Overlaps: TANF and SSI, 1997–1998**

Benefit Received	Percentage of Households/Individuals in	
	TANF	SSI
<b>Food Stamps</b>	81.0%	43.7%
<b>Medicaid</b>	97.3%	95.0%
<b>Public Housing</b>	32.2%	23.4%
<b>VA Compensation or Pension</b>	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)*

Outreach programs that encourage eligible parents to seek other welfare benefits would increase their income. Exhibit 6.15 simulates the effect of adding other Federal benefits to the income of Parents' DIC recipients. It reports the poverty rate for parents who receive DIC benefits for four different calculations of household income.<sup>11</sup> The first uses household income from VA administrative files. The second adds the average amount of welfare assistance that respondents in the study team's Parents' DIC survey receive to the household income from VA administrative files. This is done only for those who reported no welfare assistance. The third adds the average amount of SSI that respondents in the study team's Parents' DIC survey receive 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 SSI that respondents in the study team's Parents' DIC survey receive to the household income from VA administrative files. This is done only for those who reported no welfare assistance and SSI.

Exhibit 6.15 reports that the poverty rate would decrease from 79 percent to approximately 41 percent if parents who did not receive welfare assistance obtained these benefits at the same level as those who do receive them. If parents who did not receive SSI obtained SSI benefits at the same level as those who do, the poverty rate would decrease from 79 percent to approximately 59 percent. If parents obtained both Welfare/TANF assistance and SSI at the same level as parents who do receive these benefits, the poverty rate would decrease from 79 percent to approximately 30 percent. It should be noted that this analysis assumes that parents who do not receive SSI and welfare would receive the same level of benefits as the parents who currently receive SSI and welfare. Therefore, this analysis must be interpreted cautiously.

This establishes that outreach programs to encourage eligible parents who do not have certain welfare benefits to obtain these benefits will improve their income standing.

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<sup>11</sup> The amount of assistance from Federal programs such as SSI will affect the amount of DIC benefits that parents can receive. The maximum possible effect of adding Federal benefits to the income of Parents' DIC recipients is explored. For example, 59 percent is the poverty rate if household income includes the maximum possible SSI benefits.

**Exhibit 6.15. Poverty Levels for DIC Parents, with Welfare Assistance Included in Household Income**

Income	Percentage of Parents at or Below Poverty Line
Household income in VA Administrative Records	79%
Household Income in VA Administrative Records plus Welfare/TANF/Other Cash Assistance	41%
Household Income in VA Administrative Records plus SSI	59%
Household Income in VA Administrative Records plus Welfare/TANF/Other Cash Assistance and SSI	30%

## **E. HOW DOES PARENTS’ DIC COMPARE WITH THE MEANS-TESTED ELDERLY POPULATION?**

The study team compared the income of parents who receive DIC benefits with the income of the elderly general population who receive support from one or more means-tested<sup>12</sup> or need-based<sup>12</sup> assistance programs.

Comparisons are based on different dimensions, such as the poverty rate, depth of poverty, and average income. Income measures for the general population are constructed using data from the March 2002 Current Population Survey (CPS). Means-tested income measures for parents who receive DIC are constructed from responses to the Parents’ DIC survey.

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 Government means-tested 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 Parents’ DIC survey respondents are different. Exhibit 6.16 establishes that the proportion of female and non-White parents who receive Parents’ DIC benefits are significantly greater than the proportion of females and non-Whites in the elderly means-tested general population. Also, the proportion of high school graduates who receive Parents’ DIC benefits is significantly lower than the corresponding proportion of elderly means-tested general population. The differences in demographic characteristics between the two populations may explain the differences in income. In particular, the comparison population has a larger proportion of parents whose characteristics are generally associated with higher incomes. To partially control for these differences, the study team also compared the income standing of the female, elderly means-tested population who receive assistance with that of parents who receive Parents’ DIC benefit, since the respondents in the Parents’ DIC survey are predominantly female.

<sup>12</sup> Those in the general population who receive SSI, welfare/TANF assistance, food stamps, or housing subsidies are designated as receiving support from a means-tested or need-based Government assistance programs.

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**Exhibit 6.16. Demographic Characteristics of the Means-Tested Elderly General Population and Parents Who Receive DIC Benefits**

<b>Demographic Characteristics</b>	<b>Elderly General Population Receiving Other Federal Need-based Assistance</b>	<b>DIC Parents</b>
<b>Female</b>	75%	94%
<b>White</b>	72%	57%
<b>High school</b>	41%	25%

*Source: Survey of Parents' DIC Participants and March 2002 CPS*

Exhibits 6.17 through 6.19 report poverty rates, average incomes, and indicators on the depth of poverty for the elderly means-tested population, the elderly female means-tested population and parents who receive Parents' DIC benefit, for the 65–79 and the 80-and-over age groups.

The poverty rate is much higher for parents who receive Parents' DIC benefits than for the elderly general and elderly female means-tested populations in either age group. Overall, 78 percent of parents are below poverty, compared with 51 percent of the elderly female means-tested population.

Average annual income is lower for all parents who receive Parents' DIC benefits, compared with the elderly general and female means-tested populations for both age groups and for those at or above the poverty line. Parents who are below the poverty line have slightly higher incomes than the comparison groups who are at or below the poverty line. Moreover, the annual income for non-poor parents who receive Parents' DIC benefit is less than \$3,000 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 parents who receive Parents' DIC benefit and the elderly general population, in Exhibit 6.19, is 5 percent for 65–79 age group, and 4 percent for those age 80 or older. For example, for those in the 65–79 age group who are at or below the poverty line, the elderly female means-tested population household income is 24.1 percent below the poverty line, whereas the parents' household income is 28.9 percent below the poverty line. The average amount at or below the poverty line is much greater for parents who receive Parents' DIC benefits, compared with the general elderly means-tested population. For example, the average amount below the poverty line is \$871 more for parents who receive Parents' DIC benefit than for the comparison population in the 65–79 age range, and it is \$1,008 more for parents in the 80-and-over age group. The differences in the percentages and amounts below the poverty line between the elderly female comparison population and parents who receive Parents' DIC benefit are 5 percent and 3 percent, respectively, and \$903 and \$919 for the 65–79 and the 80-and-over age groups, respectively.

**Exhibit 6.17. Poverty Rates for Elderly Means-Tested and Elderly Female Populations and Parents Who Receive DIC Benefits**

Age	Percentage of Elderly General Population Receiving Other Federal Need-based Assistance Below Poverty Line <sup>13</sup>	Percentage of Elderly Female General Population Receiving Other Federal Need-based Assistance Below Poverty Line	Percentage of DIC Parents Below Poverty Line
65–79	53.6%	53.6%	81.1%
80 and over	45.5%	46.0%	73.8%
<b>Total: 65 and Over</b>	<b>51.0%</b>	<b>50.9%</b>	<b>77.6%</b>

Source: VA administrative files and March 2002 CPS

**Exhibit 6.18. Average Annual Income for Elderly Means-Tested and Elderly Female Populations and Parents Who Receive DIC Benefit**

Age and Poverty Status	Average Annual Family Income of Elderly General Population Receiving Other Federal Need-based Assistance	Average Annual Family Income of Elderly Female General Population Receiving Other Federal Need-based Assistance	Average Annual Income of DIC Parents
<b>Age 65–79</b>			
At or below poverty line	\$6,728	\$6,761	\$6,933
Above the poverty line	\$14,398	\$14,413	\$11,290
<b>All</b>	<b>\$10,286</b>	<b>\$10,316</b>	<b>\$7,758</b>
<b>Age 80 and over</b>			
At or below poverty line	\$6,896	\$6,780	\$7,358
Above the poverty line	\$14,431	\$13,546	\$11,716
<b>All</b>	<b>\$10,987</b>	<b>\$10,434</b>	<b>\$8,501</b>

Source: VA administrative files and March 2002 CPS

<sup>13</sup> 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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**Exhibit 6.19. Depth of Poverty for Elderly Means-Tested and Elderly Female Populations and Parents Who Receive DIC Benefit**

Age	Elderly Means-Tested Population Receiving Other Federal Need-based Assistance Below Poverty Line		Elderly Female General Population Receiving Other Federal Need-based Assistance Below Poverty Line		DIC Parents Below Poverty Line	
	Average Percentage of Income Amount at or Below Poverty Line	Average Income Amount at or Below Poverty Line	Average Percentage of Income Amount at or Below Poverty Line	Average Income Amount at or Below Poverty Line	Average Percentage of Income Amount at or Below Poverty Line	Average Income Amount at or Below Poverty Line
<b>65–79</b>	24.1%	\$2,138	23.7%	\$2,106	28.9%	\$3,009
<b>80 and over</b>	22.6%	\$2,002	23.6%	\$2,091	26.9%	\$3,010

Source: VA administrative files and March 2002 CPS

These results suggest that DIC parents are poorer than the elderly means-tested population who receive other Federal need-based assistance. Although the income of the poorest segment of these populations (i.e., those at or below the poverty line) is on average higher for parents who receive Parents' DIC benefits than for the elderly general and female populations, the depth of poverty is greater for parents who receive DIC benefits.<sup>14</sup> Next, the income of non-poor parents (i.e., those above the poverty line) who receive Parents' DIC benefits is lower than that of the elderly general population and female populations; they are on average just above the poverty line.

Exhibit 6.20 reports the percentage of the three populations receiving Social Security benefits, earned income, and other retirement income. The proportion of the population receiving Social Security benefits is lower for parents who receive Parents' DIC benefits than for the elderly means-tested and female means-tested populations. The proportion of the population receiving earned income and other retirement income is higher for the elderly means-tested and female means-tested populations than for parents who receive Parents' DIC benefits. Members of the elderly means-tested and female means-tested population receive income from sources with higher payouts than DIC parents who receive benefits.

<sup>14</sup> This is primarily because parents who receive DIC benefits in the sample have larger households than the sample of the comparison population. Therefore, although the average income of parents who receive DIC benefits at or below the poverty line is higher than the comparison population, the proportion of parents in poverty is also higher.

**Exhibit 6.20. Sources of Income for the Elderly Means-Tested and Elderly Female Populations and Parents Who Receive DIC Benefits**

		Percentage Receiving Income		
Age	Selected Income Source	Elderly Means-Tested Population Receiving Other Federal Need-based Assistance	Elderly Female General Population Receiving Other Federal Need-based Assistance	DIC Parents
<b>65–79</b>	Social Security benefits	88.3%	89.6%	85.7%
	Earned income	7.6%	8.3%	0.9%
	Other retirement income	11.7%	12.1%	5.6%
<b>80 and over</b>	Social Security benefits	89.9%	90.6%	91.7%
	Earned income	0.5%	0.5%	0.0%
	Other retirement income	12.8%	10.7%	6.6%

*Source: VA administrative files and March 2002 CPS*

Parents who receive Parents' DIC benefits participate much less in other Federal need-based assistance programs that could improve their economic well-being. Exhibit 6.21 reports that only 1 or 2 percent make use of welfare assistance and 5 percent to 6 percent make use of housing assistance. In addition, less than 25 percent receive food stamps. The elderly means-tested population participates at much higher percentage rates in SSI, Subsidized Housing, and food stamps.

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**Exhibit 6.21. Sources of Other Federal Need-based Assistance for the Elderly Means-Tested and Elderly Female Populations and Parents Who Receive DIC Benefits**

Age	Selected Sources of Other Federal Need-based Assistance	Percentage Receiving Benefits		
		Elderly Means-Tested Population Receiving Other Federal Need-based Assistance	Elderly Female General Population Receiving Other Federal Need-based Assistance	DIC Parents
65–79	Welfare, TANF, general assistance, or any other governmental cash assistance	2.2%	2.2%	1.4%
	SSI	39.5%	38.8%	18.8%
	Food stamps	37.5%	38.1%	23.9%
	Subsidized housing or other housing assistance	65.2%	65.9%	6.3%
80 and over	Welfare, TANF, general assistance, or any other governmental cash assistance	1.3%	1.5%	1.7%
	SSI	28.6%	29.1%	8.9%
	Food stamps	22.3%	22.2%	16.2%
	Subsidized housing or other housing assistance	73.2%	72.3%	4.9%

Source: Survey of Parents' DIC Participants, VA administrative files, and March 2002 CPS

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

The incidence of poverty is compared for DIC parents across three calculations of household income. The first uses household income from VA administrative files (this calculation of income is used in Exhibits 6.17 through 6.21), excluding Government need-based assistance. The second adds the amount of need-based assistance reported in the survey to the household income from VA administrative files. Need-based assistance from the survey is limited to food stamps, housing, home heating subsidies, and childcare subsidies. The third simulates the effect of adding need-based assistance plus housing expenses saved by those who have paid off their homes. Housing expenses are estimated as the amount saved by not having to pay rent (for respondents who own a home and do not have mortgage payments) and excludes property taxes (also for respondents who own a home and do not have a mortgage expense) to household income from VA administrative files. The foregone rental expenses and the property

taxes are estimated from Consumer Expenditure Survey (CES)<sup>15</sup> data. The third calculation simply adds the equivalent of the rental value of the property owned to the household income.

Exhibits 6.22 to 6.24 report poverty rates, average incomes, and indicators on the depth of poverty for parents who receive Parents' DIC benefits, when benefit assistance and rental income are included in household income.

Poverty rates are 4 percent and 2 percent lower for the 65–79 and the 80-and-over age groups, respectively, when Federal need-based assistance income are included in household income. When foregone rental expenses net of property taxes are included in household income, the poverty rates fall by 6 percent and 5 percent, respectively. These rates are different than the numbers shown in Exhibit 6.15 because the poverty rates include a simulated amount of Federal need-based assistance income for those parents who do not receive income from Federal need-based assistance programs.

The average income of parents who are poor increases by approximately \$169 and \$554 for the 65–79 and the 80-and-over age groups, respectively, when benefits are included. (Note that the average income for non-poor parents 80 years old and over actually decreases when benefits are included in household income. This is because the set of non-poor parents now includes parents who are below the poverty line, when household income does not include benefits.)

The average income of parents who are poor increases by approximately \$330 and \$799 for the 65–79 and the 80-and-over age groups, respectively, when benefits and foregone rental expenses net of property taxes are included in household income.

The depth of poverty (measured by how far below the poverty line the poor are in percentages and levels) decreases when benefits are included in household income, from 29 percent to 27 percent for the 65–79 age group and from 27 percent to 26 percent for the 80-and-over age group. When foregone rental expenses net of property taxes are included in household income, the percentage of parents below the poverty line decreases from 29 percent to 26 percent for the 65–79 age group and from 27 percent to 24 percent for the 80-and-over age group.

If VA counted need-based assistance as income, the percent of parents below poverty would be lower by a few percentage points, and the depth of poverty would be reduced correspondingly. If VA were to adjust the income of parents who own their home to account for how much they saved in rent minus how much they paid in property taxes, the percent below poverty would be reduced by a few more percentage points. Overall, the addition of other Government need-based assistance and foregone rental expenses does not dramatically alter the financial status of DIC parents, although the percentage below poverty is reduced.

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<sup>15</sup> The CES program conducted by the Bureau of Labor Statistics (BLS) 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 6.22. Poverty Rates for Parents Receiving Parents' DIC Benefit When Household Income Includes Other Federal Need-based Assistance and Rental Expenses**

Age	Percentage of DIC Parents Below the Poverty Line (Income Is Household Income and Other Federal Need-Based Assistance)	Percentage of DIC Parents Below the Poverty Line (Income Is Household Income and Other Federal Need-Based Assistance and Estimated Rental Expenses)
<b>65–79</b>	77.6%	74.7%
<b>80 and over</b>	71.7%	69.2%
<b>Total: 65 and Over</b>	<b>72.8%</b>	<b>64.3%</b>

Source: Survey of Parents' DIC Participants

**Exhibit 6.23. Annual Income for Parents Receiving Parents' DIC Benefit When Household Income Includes Other Federal Need-based Assistance and Rental Expenses**

Age and Poverty Status	Average Annual Income of DIC Parents (Income Is Household Income and Other Federal Need-Based Assistance)	Average Annual Income of DIC Parents (Income Is Household Income and Other Federal Need-Based Assistance and Estimated Rental Expenses)
<b>65–79</b>		
<b>At or below poverty line</b>	\$7,102	\$7,263
<b>Above the poverty line</b>	\$11,381	\$11,441
<b>All</b>	<b>\$8,059</b>	<b>\$8,318</b>
<b>80 and over</b>		
<b>At or below poverty line</b>	\$7,487	\$7,730
<b>Above the poverty line</b>	\$11,385	\$11,867
<b>All</b>	<b>\$8,718</b>	<b>\$9,002</b>

Source: Survey of Parents' DIC Participants

**Exhibit 6.24. Depth of Poverty for Parents Receiving Parents’ DIC Benefits when Household Income Includes Other Federal Need-Based Assistance and Rental Expenses**

Age	DIC Parents Below Poverty (Income is Household Income and Other Federal Need-Based Assistance)		DIC Parents Below Poverty (Income is Household Income and Other Federal Need-Based Assistance and Estimated Rental Expenses)	
	Average Percentage of Income Amount at or Below Poverty Line	Average Amount of Income Amount at or Below Poverty Line	Average Percentage of Income Amount at or Below Poverty Line	Average Amount of Income Amount at or Below Poverty Line
65–79	27%	\$2,881	26%	\$2,735
80 and over	26%	\$2,923	24%	\$2,736

*Source: Survey of Parents’ DIC Participants*

## **F. SUMMARY**

The average household income for DIC parents is \$7,926. Parents under 65 years report an average household income of \$5,770 compared to \$8,037 for parents 65 years and over. The primary source of income for parents who receive Parents’ DIC benefits is Social Security. Most parents (86.3%) receive income from Social Security, and it comprises 69 percent of their income. Parents 65 years and older receive 72.1 percent of their income from Social Security benefits, while parents under 65 years receive only 35.5 percent of income from this benefit. The next largest source of income for parents is Parents’ DIC, which constitutes on average 28 percent of the parents’ total income. On average, parents under 65 years of age receive 57.7 percent of their income from the Parents’ DIC program versus 26.4 percent for parents 65 years and over. Although they are likely to be eligible for other Federal assistance programs, relatively few parents receive other Federal benefits. Counting cash and non-cash assistance, about 41 percent receives assistance from other Federal need-based programs.

The amount of Parents’ DIC benefits that participants receive is driven by the eligibility formula. The characteristics of parents that demonstrate statistically significant relationships to lower amounts of Parents’ DIC benefit include being married, being male, being in good health, having an assets more than \$1,000, having debt, being White, and being older. Parents who received financial support from the deceased veteran when he or she was alive receive higher Parents’ DIC benefits, but their income from other sources is lower.

Comparing survey results with VA administrative records, 38 percent of parents indicated that they have health care expenses, but only 26 percent reported them to VA. Parents who do not report UMEs receive on average of \$420 less in annual Parents’ DIC benefits than those who do. The timing of the survey and 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 parents and may result in UMEs not being submitted at all.

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VA programs do not compare favorably to non-VA cash benefit programs for maximum benefit amounts received by the Parents' DIC recipients. In particular, the maximum benefit amount of \$466 per month (effective December 12, 2002) for a single parent is lower than 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, the Parents' DIC benefit is less than the SSI benefit, and the parents eligible for the DIC program may not qualify for SSI benefits. Outreach programs to encourage eligible parents without certain cash benefit assistance to obtain this assistance will improve their income standing. For example, if parents who did not receive Welfare/TANF assistance obtained Welfare/TANF assistance at the level of those who do receive it, the poverty rate of Parents' DIC program participants would fall from 79 percent to 41 percent.

Seventy-nine percent of all DIC parents and 78 percent of the elderly DIC parents (65 and over) are below the poverty line. Need-based assistance from other programs, such as food stamps, housing assistance, and rental value of homes decreases the 78 percent of elderly parents at or below poverty by 5 percent to 73 percent. Counting the rental value of homes owned by elderly parents decreases their poverty level to 64 percent.

Comparing the Parents' DIC parents with the general elderly means-tested population who receive assistance from Federal programs, DIC parents are worse off. Fewer parents receive other Federal benefits, more are at or below the poverty line, and, overall, parents have lower total incomes. DIC parents are also less likely to have earned income and other retirement income than the general means-tested population.

The income provided by Parents' DIC provides security to beneficiaries by being a stable source of income. Most parents receive the benefit continuously after enrolling and the benefit level remains stable.

# CHAPTER 7. OPERATIONS

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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 may obtain assistance from VA (by telephone, in person where practical, or through inquiries on the Internet) or from VSOs to complete the applications. VSOs have representation at many local VA offices and actively help applicants understand the requirements, complete forms, and obtain required documentation to substantiate eligibility (such as proof of military service). Applicants submit paper applications. Parents' DIC applications are available through VA's Web site and must be printed and mailed to VA. 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.<sup>1</sup> 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, 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 that claimants provide to the VA processing office. The VSRs rely on computerized systems to respond to most claimant status requests. For general information, parents 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 Parents' DIC benefits. These offices also performed annual maintenance functions until VA consolidated the 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 in three centers—Philadelphia, Milwaukee, and St. Paul. Few VARO staff have relocated or are relocating to a consolidation center. New staff have been hired and trained for the new centers. VA Central Office 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 than ongoing income verification. The potential benefits of consolidation are the following:

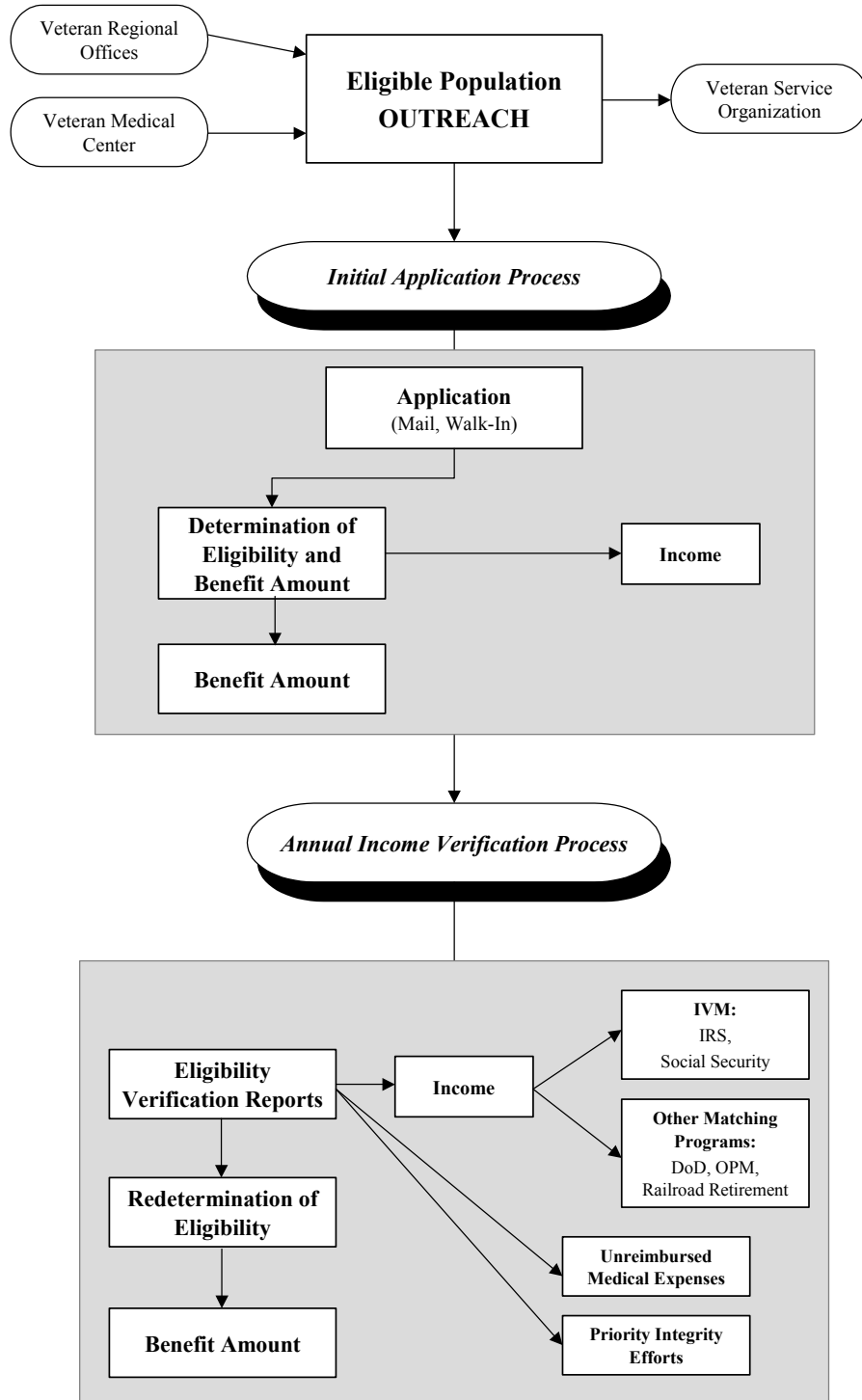
- ◆ Improve processing time
- ◆ Reduce dollar value of overpayments and improve quality of service
- ◆ Reduce program administrative costs.

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<sup>1</sup> Disability rating process is required only on aid and attendance, helpless child status, and incompetence. Parents qualify for aid and attendance if they are blind or so nearly blind that they have corrected visual acuity of 5/200 or less in both eyes or concentric contraction of the visual field to 5 degrees or less, are patients in a nursing home because of mental or physical incapacity; or establish a factual need for aid and attendance under the criteria set forth in 38 C.F.R. §3.352. Aid and attendance benefits provide an additional \$250 per month.



**Exhibit 7.1. Overview of Program Process Flow**



Source: Study Team

## **A. HOW DOES VA INFORM PARENTS OF THE PROGRAM?**

### **I. What outreach processes does VA use to communicate about the Parents' DIC program?**

Stakeholders expressed concern that knowledge of the Parents' DIC program is not universal and that qualified parents are not receiving benefits to which they are entitled. VA intends that every veteran and survivor eligible for the Pension and Parents' DIC programs receive their benefits. Other stakeholders, including VSOs, encouraged the Study Team to address awareness in this 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 costing documentation provided by headquarters officials. VSO representatives described their outreach activities during stakeholder meetings.

The 57 VAROs are funded to conduct outreach activities. According to activity-based cost data provided by the Veterans Benefit Administration (VBA), 1.5 percent of FY 2002 Pension administrative costs are allocated to conducting outreach for eligible veterans. Not limited to the Pension program only, 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 VA 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 staff members the responsibility to contact certain populations of VA's programs. These populations include tribal Native Americans, patients in VA hospitals, and 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 VA a notice of death when a veteran is buried. Then VA sends an application for benefits to the widow.

The Baltimore VARO recently started a half-hour program on a local cable station covering Q&As for the veterans and survivors. It coordinates with the Maryland State veterans agency 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.

VA has a toll-free telephone system, walk-in facilities and staff, and correspondence to provide information on benefits. About 16 percent of the total FY 2002 Pension administrative costs are devoted to these activities. Veterans and survivors also have access to information on benefits via the VA Web pages.

VSOs, State/local veteran agencies, and possibly other Federal need-based programs also perform outreach for VA programs. VSOs are co-located in VAROs throughout the country to help veterans access VA programs. The VSO offices are chartered by Congress to assist the veterans with their application. VA provides the office space and equipment while the VSO pays for the salaries of its staff located at the VARO. They answer questions and help potential recipients complete and submit an application. In addition, VSOs conduct various programs that target certain groups, such as veterans

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who are 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. No specific outreach was described for the Parents' DIC program. The outreach tends to bundle all the VA programs and focus on veterans. No evidence was provided that VA targets elderly housebound individuals and potential eligible parents in nursing homes and senior centers. Furthermore, there is no central organization of the outreach, so outreach is likely to vary in type and intensity by VARO.

### 2. How effective are VA's outreach activities?

While VA's outreach justifiably focuses on veterans, the effect is that veterans are the ones most informed of the program, not parents. VA did not mention outreach activities to servicemembers or their families. We were advised that the department of Defense (DoD) notifies parents of the existence of this program when a servicemember dies. However, younger parents may not be financially needy at that time and may not recall that the program exists in their later years, when age and health problems produce financial needs. While we did not query all VA and VSO officials about access, among those we interviewed, none reported any specific outreach targeting parents.

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

- ◆ Our survey sample of 1,237 participants includes 22 participants who had applied since 2000. We asked them how easy it was for them to find out about VA benefits. Two-thirds (64%) said that it was easy, and one-third (32%) said that it was difficult (Appendix C, Table 76). The remainder did not provide an opinion.
- ◆ Among survey respondents, 396 (32%) say that they were eligible for benefits for an average of 6.4 years before they applied. Among the 396 respondents, nearly half (48%) give lack of awareness of the program as a reason they did not obtain the benefit sooner. The next largest group of respondents (12%) say that they thought they would not be eligible for the program.
- ◆ In Chapter 3 we discussed nonparticipation in greater details. By using Census and other data, we estimate that only 8 percent of the parents eligible for the Parents' DIC program participate in it.

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

## **B. HOW DO THE APPLICATION AND CLAIM PROCESSES WORK?**

### **I. Description of Processes**

#### *a. Application Process*

Parents of veterans who died in service or due to service-connected disabilities must complete and submit VA Form 21-535 to receive Parents' DIC benefits. This form is available online at the VA Web site, but application via the Web is not available. Applicants must print the form from the Web, complete it, and submit it by mail. Form 21-535 can be requested by mail or telephone and submitted to VA. Applicants must also provide the veteran's death certificate with the claim before any action can be taken. To help expedite the process, applicants are encouraged to provide the veteran's service and disability status records with the claim if such records are available. If the applicant is under the age of 72 and has not been receiving Parents' DIC benefits for 2 or more years, he or she is required to complete an Eligibility Verification Report (EVR) annually until these requirements are met. All maintenance and award actions are done at one of the three pension maintenance centers.

#### *b. Claims Process*

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 Parents' DIC claim. In some instances, a new Notice of Death (NOD) claim folder is created for veterans who did not have a previous claims folder or for claims folders that were retired. From this point, the claim is handled by a VSR.

#### *c. Eligibility Verification*

The VSR verifies the veteran's service and obtains the veteran's disability records if it has not already been done. The VSR verifies that the parents are within the income limits set forth in the Code of Federal Regulations. VA conducts income verification matching (IVM) periodically through agencies such as the Internal Revenue Service (IRS), Social Security Administration (SSA), and the Office of Personnel Management (OPM). IVM is discussed in greater details below. The VSR is also responsible for determining whether the claim is for one or two surviving parents, since the number of parents affects the amount of benefit paid.

After all the evidence has been gathered and initial eligibility has been determined, the case goes to a rating specialist. The rating specialist determines whether the veteran's death is related to the service-connected disabilities. The rating specialist also determines whether the parents are entitled to the aid and attendance rates. After considering all the income sources, the claim is processed and the parent is informed of the decision.

#### *d. Payment Process*

Once the applicant is determined eligible for DIC benefits and the benefit amount is established, payment arrangements are made. The beneficiary has the option of receiving monthly checks in the mail or electronic deposits into a bank account. VA Officials at the St. Paul VARO indicate that almost

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80 percent of monthly Compensation and Pension benefits are paid through electronic deposit, inferring that it is the same rate for Parents' DIC beneficiaries.

### e. *Processing Time*

Parents' DIC claims are tracked using the Claims Automated Processing System (CAPS) and the Work in Progress (WIP) systems and are entered into the pending issue file. During FY 2002, average processing time for DIC benefits (including surviving spouses and parents benefits) was 98.4 days. 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.

Possible reasons for a claim to be delayed or to require additional development include 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 completed.

## 2. **Assessment of Application and Claims Processes**

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 22 parents who began receiving benefits in 2000 were asked about the interval between applying for VA benefits and beginning to receive benefits. The findings about the wait time are as follows:

- ◆ Five parents (23%) say that it was longer than expected.
- ◆ Five parents (23%) say that it was shorter than expected.
- ◆ Seven parents (32%) say that it was about what was expected.
- ◆ Five parents (23%) say they did not know or were not sure.

*Source: Survey of Parents' DIC Participants, Appendix C, Table 77*

Only one survey respondent (5%) said that a delay made it difficult for him/her to pay for living expenses. We caution the reader that because recent applicants are such a small percentage of the parents (only 22 respondents in our sample began receiving benefits since 2000), these results should be interpreted with caution.

Another key measure of the access outcome is how easy it is for applicants to apply for and obtain the benefit. Our survey asks recent participants how easy the application process is, the amount of time the participants spend on the application, how they find out where to send forms and who to contact, and

the amount of time elapsed between filing the application and receiving the first benefit. These questions were asked only of those 22 respondents who began receiving DIC benefits since 2000. The results from the survey, presented in Exhibit 7.2, should be viewed cautiously, since there were only 22 respondents (2%) who fit the “recent recipient” category.

**Exhibit 7.2. Recent Participants’ Ratings of Ease of Various Aspects of Parents’ DIC Application Process**

How Easy Was It for Parents to Do the Following:	Difficult	Easy	Don’t Know/ Non-response	Average Rating*
<b>Understand how eligibility and benefit amount are determined</b>	45%	45%	9%	3.50
<b>Get information from VA about where their application was in the review process</b>	27%	55%	18%	4.00
<b>Get help from VA or VSO staff in obtaining information and filling out application and forms</b>	23%	68%	9%	4.45
<b>Complete and send in medical expense documents</b>	18%	46%	36%	4.07
<b>Complete and send in other forms and documents needed to prove eligibility</b>	18%	64%	18%	4.22
<b>Fill out the application</b>	18%	68%	14%	4.37
<b>Call VA’s toll-free telephone number</b>	0%	73%	27%	5.38
<b>Overall, find out and apply for VA Parents’ DIC benefits</b>	14%	73%	14%	4.58
<b>Number of Respondents Who Began Receiving VA Benefits After 2000</b>	22			
*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.				

*Source: Survey of Parents’ DIC Participants, Appendix C, Table 76*

Most new enrollees had positive experiences trying to find out about VA benefits; 64 percent rate the process as easy and 32 percent believe it to be difficult (Appendix C, Table 76). Most of these parents also rate other components of the application process as relatively easy, including getting help from either the VA or VSO staff in obtaining information and filling out forms (68%), filling out the application (68%), and completing and sending other forms and documents needed to prove eligibility (64%). Less positive ratings are given to the processes of getting information from VA about the status of the application in the review process (55%), and completing and sending in medical expense documents (46%). An equal percentage of parents receiving the VA benefits since 2000 find the interval between applying for and receiving the benefit either longer or shorter than expected (23%), while slightly more parents (32%) find the wait time to be what they expected (Appendix C, Table 77).

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### *b. Ease of Parents' DIC Application Process Compared with Application to Other Federal Programs*

Respondents who receive benefits from other assistance programs were asked to compare the application process for the VA program to that of other programs. The 508 respondents (47%) who indicated that they are receiving assistance from other programs responded as follows:

- ◆ 33.1 percent (the largest group of respondents) say that they do not know, are not sure, or provide no answer.
- ◆ 32.3 percent respond that the application process for the Parents' DIC is about as easy as that for other programs.
- ◆ 16.1 percent say that the Parents' DIC program is harder to apply for and receive benefits from.
- ◆ 18.5 percent say that Parents' DIC benefits are easier to apply for and receive.

*Source: Survey of Parents' DIC Participants, Appendix C, Table 62*

More respondents (26.8%) who receive larger benefit amounts (more than \$400 per month) find the process easier; more respondents (24.1%) who receive lower benefit amounts (under \$100 per month) find the process more difficult than for other Federal assistance programs.

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

- ◆ 37.0 percent (the largest respondent group) give no opinion.
- ◆ 29.5 percent say that it is about the same.
- ◆ 17.4 percent find VA benefits faster to apply for and receive.
- ◆ 16.1 percent rate VA benefits slower to apply for and receive.

Like their assessment of the ease of the VA processes, respondents who receive other Federal benefits also vary in their ratings of the speed of the application process according to the benefit level they receive from VA. Respondents receiving high benefit levels from VA (more than \$400 per month) report that VA benefits are faster to apply for and receive (27.9%); those receiving the lowest benefits (\$5 per month) tend to report slow processing speeds for VA benefits (33.3%).

## C. WHAT ARE INCOME VERIFICATION PROCESSES?

### I. Description of Income Verification Matching

VA conducts Income Verification Matching (IVM) annually. It is important that this process be current to eliminate or minimize overpayments. Almost all of the matches conducted are for current income data. VA conducts annual matches with SSA, OPM, DoD, 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 very 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, 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 the income discrepancy originated.

IVM compares income reported to VA by parents with IRS and SSA income 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.

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 in the initial application. Consequently, an individual could be receiving benefits 3 years before VA is able to determine that he or she is ineligible for benefits or that he or she is being overpaid.

### **2. Assessment of IVM**

IVM is an effective procedure. It helps ensure that only those who are financially qualified for the program get the benefits. Income matching, however, is not a simple procedure. When a discrepancy is discovered, it must be followed up to ascertain that the discrepancy is an error. It can be a time-consuming process for both VA and the recipient to obtain and process the documentation that is needed to resolve a discrepancy discovered through the matching processes. The 2-year wait period to match the parents' 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, request 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.



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Those who request a waiver are not given one automatically. Waivers are granted on the basis of several factors including family situation, financial situation, and character of the recipient.<sup>2</sup> Also, 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 (e.g., \$750). Once an agreement has been 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.

### 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 parents and that the correct benefit amount is being paid.

## E. WHAT ARE THE APPEALS PROCESSES?

### I. Description of Appeals Processes

Applicants who are not satisfied with the outcome of the Parents' DIC eligibility determination process may file an appeal with VA. The St. Paul Regional Office officials state that parents 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 Parents' DIC program. With the assistance of the VA Office of General Counsel, we conducted a Lexis-Nexis search for the court cases that include a reference to DIC. We reviewed the summaries for the cases found and did not discover any instances where the court mandated changes in procedures for the administration of Parents' DIC program or issued rulings that would interfere with the achievement of program objectives. The cases primarily involved determinations of the service-connected nature of a veteran's disability or death or of the eligibility of the appellant survivor for benefits.

We did discover some other cases that did not involve the Parents' DIC program, but resulted in rulings that affect how VA processes claims. 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 had ruled on July 7, 1975 that VA had the right to take such actions when—

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<sup>2</sup>Waivers based on the character of the recipient apply only to the Debt Management Center and not to VA Pension operations.

*... 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.

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; or 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 for VA.

### **2. Assessment of Appeals Processes**

The appeals process is not a significant issue for the Parents' DIC program. Given the nature of the program, there is not much of a basis for parents to challenge VA's decisions.

The Plato et al, versus Roudebush case and the change in regulation (38 CFR, Part 3) illustrate decisions that streamline claims processing and improve accuracy. These decisions reduce the 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 have continued to receive overpayments. 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 claims processing, and improves timely and accurate reporting of information.

## **F. HOW DO THE APPLICATION AND EVR FORMS WORK?**

### **I. Description of Parents' DIC Application and Eligibility Verification Forms**

#### *a. Application Forms*

For initial claims, parents must complete VA Form 21-535 and submit it to the VARO. This form was last updated in September 2000. VA will accept the VA Form 21-535 from March 1995. As a service to the applicant, VA attaches Form SSA-24 to VA Form 21-535, allowing the applicant to apply for Social

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Security benefits. After the initial claim, applicants submit the EVR every year until the applicant has been receiving benefits for a minimum of 2 years and has reached age 72.

### *b. EVR Forms*

The EVR is an annual form that beneficiaries must complete to establish continuing entitlement to Parents' DIC benefits. It requires that parents submit updated information on their income. There are seven types of EVR forms for Veterans' Disability Pension, Death Pension, and the Parents' DIC program, but there is only one four-page instruction manual that applies to all three programs.

### *c. Reporting Unreimbursed Medical Expenses*

In the Parents' DIC EVR, Form 21-0514-1, the narrative under the "Family Medical Expenses" states the following: "If you are using this form as a supplement to a pending claim, you do not need to report medical expenses. If the entitlement is established, you will have an opportunity to report your medical expenses at the end of the year."

If given a choice of procedure, 36.3 percent of parents indicate that they prefer to continue providing VA with documentation of unreimbursed health care expenses to increase their DIC benefits, whereas 25 percent 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 parents (40.7%) do not have an opinion or refuse to answer, which may indicate their lack of familiarity with the policies governing unreimbursed medical expenses (UMEs).

### *d. Eligibility for Aid and Attendance*

The initial application requests information for determining whether applicants qualify for aid and attendance benefits. The EVR does not. Consequently, recipients who develop conditions meriting aid and attendance after their initial application may not receive the benefit.

## **2. Assessment of the Application and of EVR Forms**

### *a. Application and EVR Information Requests*

The application does not include the same income, deductions, and expenses requests as the EVR. The EVR is more specific than the application, VA Form 21-535. 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, and 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 needy, this places a hardship on them.

### *b. Unreimbursed Medical Expenses*

Since a large portion of family medical expenses are deductible in calculating the Parents' DIC benefit amount, it seems counterintuitive not to include or report family medical expenses in the EVR. This seems especially true when applicants have major medical expenses during the year that are not reimbursed until the following year. Since 79 percent of parents are at or below the poverty line,<sup>3</sup> this policy may create a barrier preventing participants from obtaining necessary medical care. Survey results show that parents are cutting back on medical care because they cannot afford it and that they have unmet healthcare needs, particularly for vision care and dental care.

### *c. Aid and Attendance*

Only the application collects information to determine qualification for aid and attendance benefits. A recipient may meet the requirements after initial eligibility is determined. Since the EVR does not inquire about conditions that qualify an individual for aid and attendance, some participants may not receive the full benefit to which they are entitled.

### *d. Exclusions from Income*

The application and the EVR do not prompt applicants to exclude allowable deductions such as unusual transportation expenses pertaining to educational expenses, 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. 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 sources. However, given the low-income levels of the Parents' DIC population, it is not likely that the complexities associated with reporting business and transportation expenses are relevant to many applicants.

### *e. Accessibility of Information*

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 Parents' DIC programs, eligibility requirements, income limits, and benefit amounts. For example, a parent who has access to the fact sheets, rate tables, or examples given on the VA Web site has more information on the program than a parent who does not have access to the Internet.

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

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<sup>3</sup> 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.

## **G. WHAT IS THE COST OF ADMINISTERING THE PARENTS' DIC PROGRAM?**

VBA calculates the administrative costs related to their six business lines (Compensation, Pension, Education, Loan Guaranty, Vocational Rehabilitation and Employment, and Insurance) using the activity-based costing (ABC) accounting methodology. Exhibit 7.3 shows the FY 2002 administrative costs for the six business lines. Fourteen percent of the VBA administrative costs (\$153,288,000) are attributed to Pension activities.

**Exhibit 7.3. FY 2002 Administrative Costs, by VBA Business Lines**

<b>Business Line</b>	<b>Administrative Costs</b>	<b>Total Annual Benefits</b>	<b>Cost Percentage</b>
<b>Compensation*</b>	\$591,248,000	\$22,771,838,000	2.6%
<b>Pension</b>	\$153,288,000	\$3,177,340,000**	4.8%
<b>Education</b>	\$73,332,000	\$1,583,957,000	4.6%
<b>Insurance</b>	\$39,235,000	\$624,704,000	6.3%
<b>Loan guaranty</b>	\$164,374,000	\$779,321,000	21.1%
<b>Vocational rehabilitation</b>	\$117,480,000	\$486,888,000	24.1%
<b>Total</b>	<b>\$1,138,957,000</b>	<b>\$29,424,048,000</b>	<b>3.9%</b>

\* Includes Parents' DIC  
 \*\*3,177,340,000 = \$2,473,890,000 for veterans plus \$703,450,000 for spouses, as shown in Exhibit 7.4.

*Source: FY 2004 Budget Submission, Department of Veterans Affairs, Office of the Assistant Secretary for Management, March 2003*

As Exhibit 7.4 illustrates, the Pension activities are grouped under four core processes subdivided into 10 basic processes in an Activity Dictionary.

**Exhibit 7.4. Core Processes and Basic Processes of VBA's Activity Dictionary**

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

*Source: VBA Program Officials*

Exhibit 7.5 lists the total amount of benefit payments made to the Pension and Parents' DIC recipients, the administrative costs, and the total expenditure (sum of the administrative costs and the total payments) as of FY 2002. The total administrative costs are not available for the Parents' DIC program or individually for the type of Pension program, such as Section 306 Pension, New Law Pension, and Protected Pension for veterans and survivors, but provided for all of the programs combined under the Pension program. VA officials suggest that the administrative costs as a percentage of total expenditure should be approximately the same for each Pension program, and that the Parents' DIC program should be the same as compensation. As Exhibit 7.5 indicates, that ratio is 2.6 percent.<sup>4</sup>

**Exhibit 7.5. Pension and Parents' DIC Administrative Costs, Payments, Ratio, and Recipients, FY 2002**

Program	Administrative Costs	Annual Payments	Ratio of Administrative Costs to Total Expenditure	Number of Recipients
Veterans' Pension	\$153,288,000	\$2,473,890,000	4.8%	346,494
Survivors' Pension		\$703,450,000		234,755
Parents' DIC	\$573,190*	\$22,076,330	2.6%	9,384

\*This is based on 2.6% administrative cost for Compensation shown in Exhibit 7.3.

*Source: VBA Program Officials and FY 2004 Budget Submission, Department of Veterans Affairs, Office of the Assistant Secretary for Management, March 2003*

## H. SUMMARY

- ◆ VA's outreach activities primarily target veterans, surviving spouses, and dependents. No specific outreach is identified for the Parents' DIC program, nor do VA's outreach procedures target the profiled parents—low-income elderly widows. Hence, we conclude that the outreach procedures of the Parents' DIC program are not effective.
- ◆ Once an applicant is found eligible for the Parents' DIC program, VA has good procedures and processes to provide relevant information about the program, verify overpayment amount, or deny benefits to ineligible applicants.
- ◆ 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, as well as qualifications for aid and attendance benefits. This may result in some applicants not receiving the income support they are entitled to from the Parents' DIC program. In some cases, some applicants may decide not to apply for Parents' DIC benefits, assuming that their household income would make them ineligible for the program.

<sup>4</sup> This ratio is relatively low compared with the administrative cost ratios for the other income need-based programs as shown in an interim deliverable to VA.

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- ◆ 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 Parents' DIC programs, eligibility requirements, income limits, and benefit amounts. The online rate tables and fact sheets provide simple examples that explain the Parents' DIC program in a more understandable way than the instructions attached to the application. We recommend providing the fact sheets, rate tables, and examples to all applicants.
- ◆ Although the application is available online, the application cannot be submitted online. Given the age of parents, it is not likely that they would submit online applications. However, this might be helpful to adult children and others who assist parents with the application; VA should consider accepting online applications for Parents' DIC.
- ◆ 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 the VA intranet still exist. We recommend that VA test all of the links and pages outside the VA intranet environment before publishing them on the Web and periodically thereafter.
- ◆ The information on the EVR 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. In the EVR, recipients are prompted to report earnings from the sources listed above, and that may 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 problematic for applicants and stigmatizes them. Furthermore, recipients are likely to have low income, and repayment places an additional financial hardship on them.
- ◆ The narrative under the "Family Medical Expenses" states the following: "If you are using this form as a supplement to a pending claim, you do not need to report medical expenses. If the entitlement is established, you will have an opportunity to report your medical expenses at the end of the year." Considering that Parents' DIC benefits recipients are low-income, we suggest that VA encourage them to submit medical expenses on an ongoing basis, so that they receive their benefits more frequently than annually.
- ◆ VA Central Office 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 claimants in the denial 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 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 Parents' DIC benefits or 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 cases.





# CHAPTER 8. NEEDS

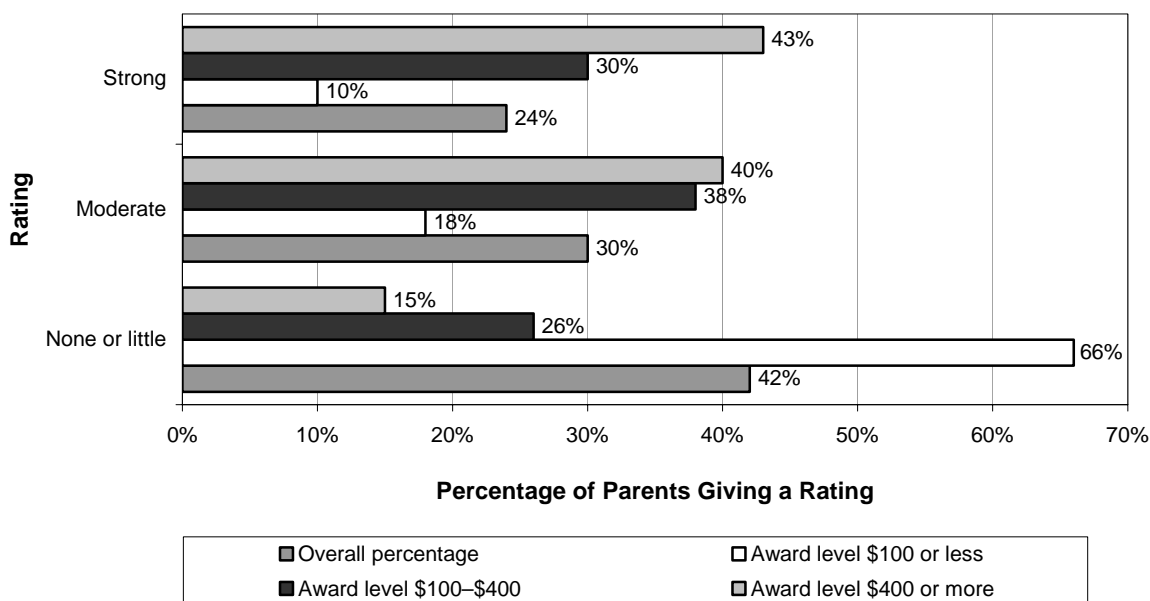
Chapter 8 presents several measures of parent needs largely on the basis of attitudinal responses from the survey of parents. It reports parents' assessment of their financial situation, the adequacy of the benefits, the frequency of parents' running out of money, their financial situation before and after they began receiving DIC benefits, and overall results of meeting their needs.

## A. HOW DO PARENTS ASSESS THEIR FINANCIAL SITUATION?

### I. How do parents rate their financial security?

The vast majority of the survey respondents believe that their Parents' DIC benefits give them either moderate or little financial security. Thirty percent of the parents surveyed rate their benefits as providing moderate financial security and 42 percent rate their VA benefits as providing little, very little, or no financial security. Only 24 percent of parents perceive their VA benefits as giving them strong or very strong financial security. Not surprisingly, ratings of the financial security provided by the VA benefits increase along with the award amount. A higher percentage of parents who receive the lowest benefit amount (\$100 or less) rate the VA benefit as providing little, very little, or no financial security (66%) than respondents with awards of \$100–\$400 (26%), and those with more than \$400 in VA benefits (15%). While more parents who receive the largest benefit amount (more than \$400) rate their VA benefit as providing strong or very strong financial security (43%) than respondents with awards of \$100–\$400 (30%), and those with \$100 or less in VA benefits (10%). Exhibit 8.1 presents the parents' ratings of the financial security that their DIC benefit provides, overall and by award level.

**Exhibit 8.1. Parents' Ratings of the Financial Security Provided by Their DIC Benefits, Overall and by Award Level**



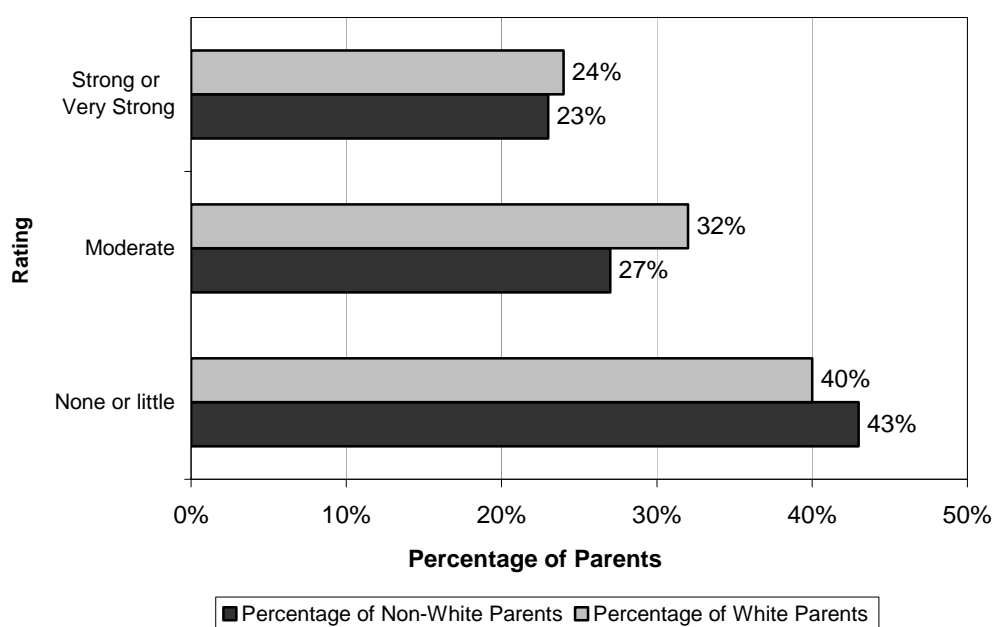
Note: Percentages do not total 100. Refusals and "Don't know" responses have not been included in this exhibit.

Source: Survey of Parents' DIC Participants, Appendix C, Table 85

## CHAPTER 8. NEEDS

Exhibit 8.2 presents parents' ratings of the financial security provided by their DIC benefits by race. Non-White parents rate the financial security provided by the DIC benefits slightly more negatively than White parents do. Overall, 40 percent of White parents believe that their DIC benefits give them little, very little or no financial security, compared with 43 percent of non-White parents. Conversely, 32 percent of White parents rate their DIC benefits as providing moderate financial security, while 27 percent of non-White parents report the same ratings. Similar percentages of White and non-White parents report that their DIC benefits provide them with a strong or very strong financial security (24% and 23%, respectively).

**Exhibit 8.2. Parents' Ratings of the Financial Security Provided by VA Benefits, by Race**



Note: Percentages do not total 100. Refusals and "Don't know" responses have not been included in this exhibit.

Source: Survey of Parents' DIC Participants

### 2. How do parents assess their current financial situation?

The assessment of the parents' current financial situation shows that 41 percent of the parents surveyed can afford only basic necessities, having little or no money left for other expenses, while 20 percent of parents indicate that their lifestyle is defined by having to make major sacrifices and cutting back on necessities. Overall, only 18 percent of parents say that they can take care of their living expenses and have some money left over (Appendix C, Table 74). Compared with the results for parents overall, more parents (27%) who relied on the support of a deceased veteran before his or her death say that they have to make major sacrifices and cut back on basic necessities. Parents in different age groups have different perspectives of their financial situations. While across all age groups, most parents indicate that they can only afford basic necessities, with little or no money remaining, a higher percentages of parents aged 65–79 and under 65 years old (21% and 30%, respectively) make major sacrifices and cut back on basic necessities, compared with 17 percent of 80-and-older parents

(Appendix C, Table 74). As Exhibit 8.3 shows, there is little difference across the responses by award level.

**Exhibit 8.3. Parents’ Assessment of their Current Financial Situation, Overall and by Award Level**

Parents’ Assessment of Their Current Financial Situation	Overall Percentage	Percentage of Parents Giving Assessment, by Award Level		
		\$100 or Less	\$100–400	\$400 or More
Can afford only basic necessities, with little or no money left	41%	43%	40%	37%
Have to make major sacrifices and cut back on basic necessities	20%	20%	20%	17%
Can barely take care of living expenses	18%	17%	18%	22%
Can take care of living expenses and have some money left over	18%	16%	18%	23%

Note: Percentages do not total 100. Refusals and “Don’t know” responses have not been included in this table.

Source: Survey of Parents’ DIC Participants, Appendix C, Table 74

Non-White parents rate their current financial situation more negatively than White parents. Non-White respondents are more likely than White DIC beneficiaries to acknowledge having to make major sacrifices and cutting back on basic necessities (14% of White parents and 27% of non-White parents) and to report barely taking care of their living expenses (16% of White parents and 21% of non-White parents) (Exhibit 8.4). Conversely, the greater percentage of White VA beneficiaries report that they can take care of their living expenses and have some money left over (20% of White parents and 14% of non-White parents) and can afford basic necessities, with little or no money left (46% of White parents and 33% of non-White parents).

**Exhibit 8.4. Parents’ Assessment of their Current Financial Situation, by Race**

Parents’ Assessment of Their Current Financial Situation	Percentage of White Parents	Percentage of Non-White Parents
Can afford only basic necessities, with little or no money left	46%	33%
Have to make major sacrifices and cut back on basic necessities	14%	27%
Can barely take care of living expenses	16%	21%
Can take care of living expenses and have some money left over	20%	15%

Note: Percentages do not total 100. Refusals and “Don’t know” responses have not been included in this exhibit.

Source: Survey of Parents’ DIC Participants

The study team also conducted multivariate analysis to determine which factors relate significantly to the parents’ assessment of their current financial situation. The parents’ financial assessment was measured as a categorical variable taking on a value of 1 if the parent can barely take care of living

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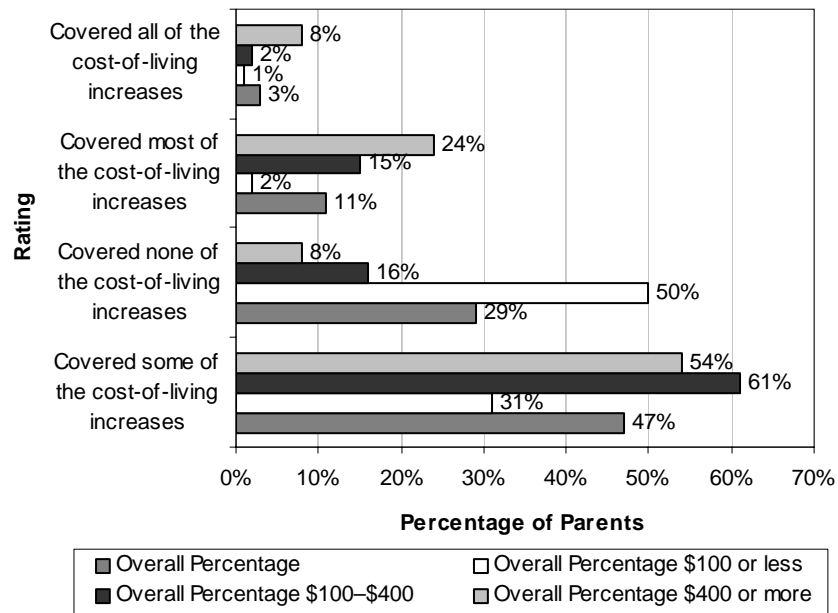
expenses, has to cut back on basic necessities, or has little money left after paying for expenses, and a value of 0 if the parent can take care of living expenses, with money left over. Factors that significantly affect this measure of financial need are the following: parents in good health less likely to have financial need, parents with higher monthly VA benefit less likely to have financial need, parents with more assets less likely to have financial need, parents supported by the deceased veteran before his or her death more likely to have financial need, and parents with debt more likely to have financial need.

### 3. How well do VA cost-of-living increases cover the cost of living?

The Parents' DIC program provides for annual increases in the benefit amounts that are fully indexed according to annual cost-of-living increases provided by the Social Security Administration. Thus, it ensures that increases in Social Security do not erode the Parents' DIC benefits. However, the perceptions of the survey respondents do not fully correspond to this.

Parents who began receiving benefits before 2000 were asked to rate how well the increases in VA benefits have covered the increases in their cost-of-living expenses. Overall, 47 percent say that their VA benefits covered some cost-of-living increases. The program is intended to serve as a supplement to other income sources; so, for this near majority of parents, the increases appear appropriate. However, 29 percent of the parents indicate that increases in their VA benefits have not covered any of their cost-of-living increases, while 3 percent of parents feel that increases in their VA benefits have covered all of their cost-of-living increases. Among parents receiving the least amount of benefits, awards of \$100 or less, 50 percent indicate that increases in their benefits have covered none of their cost-of-living expenses, compared to 16 percent of those receiving 100–400 dollars and 8 percent of those receiving 400 dollars or more (Appendix C, Table 21). Greater percentages of parents receiving larger awards gave a positive assessment of the coverage of cost-of-living increases by the Parents' DIC benefit (Exhibit 8.5)

**Exhibit 8.5. Impact of the Increases in the Amount of VA Benefits Received on Covering the Cost-of-Living Increases of Parents, Overall and by Award Level**



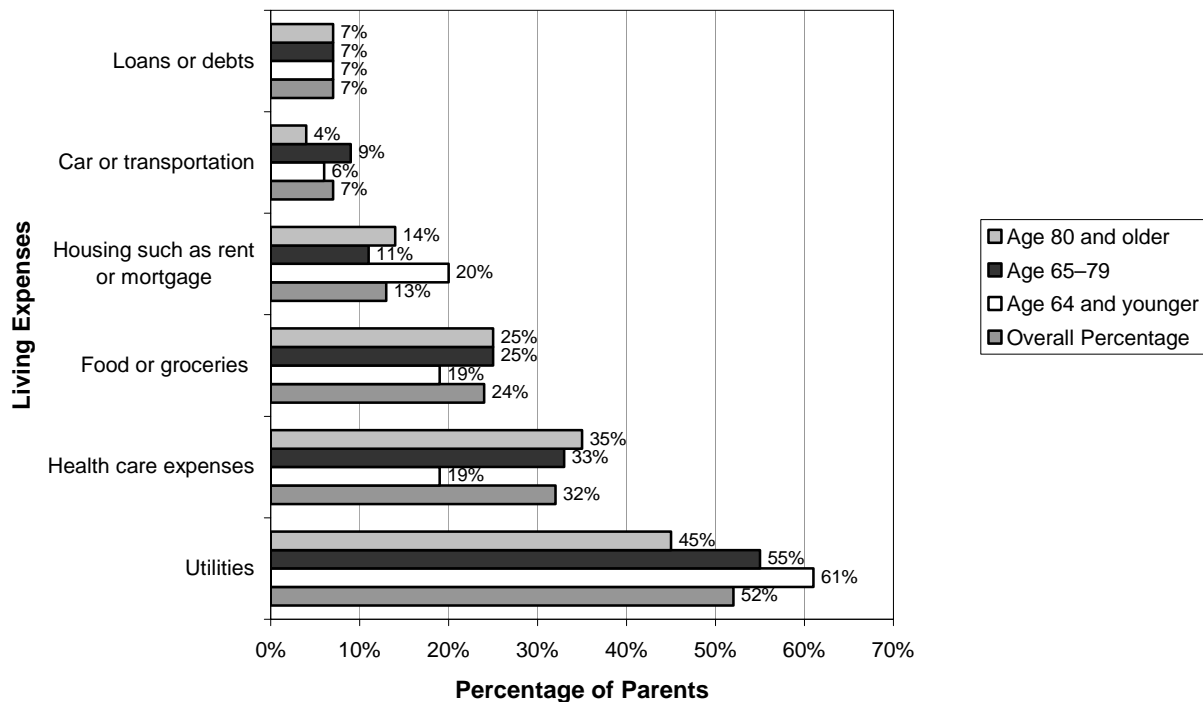
Source: Survey of Parents' DIC Participants, Appendix C, Table 21

## B. ARE BENEFITS ADEQUATE?

### I. Do benefits cover living expenses?

Survey responses indicate that the benefits parents receive through the VA Parents' DIC program are not sufficient to cover their primary living expenses, even as a supplement to other income sources. Almost one-third of the parents surveyed (30%) struggle to pay for basic necessities and indicate that they experienced either difficulty paying for or had not been able to pay for various living expenses during the past 12 months. Utilities and health care expenses top the list of expenses that parents have difficulty covering. Overall, 52 percent of the parents identify utilities as the expense they struggle the most to pay for, while 32 percent identify health care expenses. Purchasing food or groceries is the third most identified expense that parents struggle to pay for to cover their basic cost-of-living expenses (Appendix C, Table 72.1). Exhibit 8.6 presents the most identified expenses that parents either had difficulty paying for or had not been able to pay during the past 12 months. Among the parents who identified utilities as the area where they struggled to cover the basic cost-of-living expenses, 80 percent experienced difficulties other than having their telephone, gas, electricity, or home-heating services terminated because they did not pay the bills. Most parents who identify housing as the area where they struggled to make ends meet did not face eviction, become homeless, or live in a temporary shelter (Appendix C, Table 72.1.1).

**Exhibit 8.6. Percentage of Parents Who Had Difficulty Paying for or Were Not Able to Pay for Various Living Expenses in the Past 12 Months**



Note: Percentages are based on the 30 percent of parents who report that they had difficulties or were not able to meet living expenses in the past 12 months.

Source: Survey of Parents' DIC Participants, Appendix C, Table 72.1

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The study team also conducted multivariate analysis to determine which factors relate significantly to parents having to cut back on living expenses in the past 12 months. The parents' responses were measured as a categorical variable taking on a value of 1 if they had to cut back on living expenses and a value of 0 if they did not. The following factors significantly affected this measure of financial need: White parents less likely to have financial need; older parent less likely to have financial need; parents supported by the deceased veteran before his or her death more likely to have financial need; and parents with debt more likely to have financial need.

### 2. What living expenses would parents pay for if they had extra money?

The expenses parents would pay for if they had more money include basic necessities and catching up on past due payments to stay financially solvent. The most cited necessity parents would purchase if more money was available is clothing and shoes (30%); 26 percent of parents would buy food or groceries and 23 percent would make basic repairs to their homes. It is interesting to note that parents do not report that they were cutting back on clothing or shoes to make ends meet. Anecdotal evidence from the survey interviews suggests that parents are making do with clothing and shoes, and in the full spectrum of their needs, clothing and shoes are a lower priority than other living expenses. Hence, if they had extra money, they would buy clothing and shoes, even though they did not state that they were cutting back on clothing and shoes. Paying utility bills and getting health care are the two next most frequently mentioned items by 17 percent and 16 percent of parents, respectively. Among parents who received support from a veteran before the death of the veteran, the spending priorities are slightly different. Thirty-one percent would buy groceries or food; purchasing of clothing or shoes would be their next priority (30%), followed by improvements in housing (22%) and necessary health care (16%). Exhibit 8.7 presents the living expenses parents would pay for if they had extra money.

**Exhibit 8.7. The Top Six Living Expenses Parents Would Pay for if They Had Extra Money, Overall and for Those Who Previously Received the Support of a Veteran**

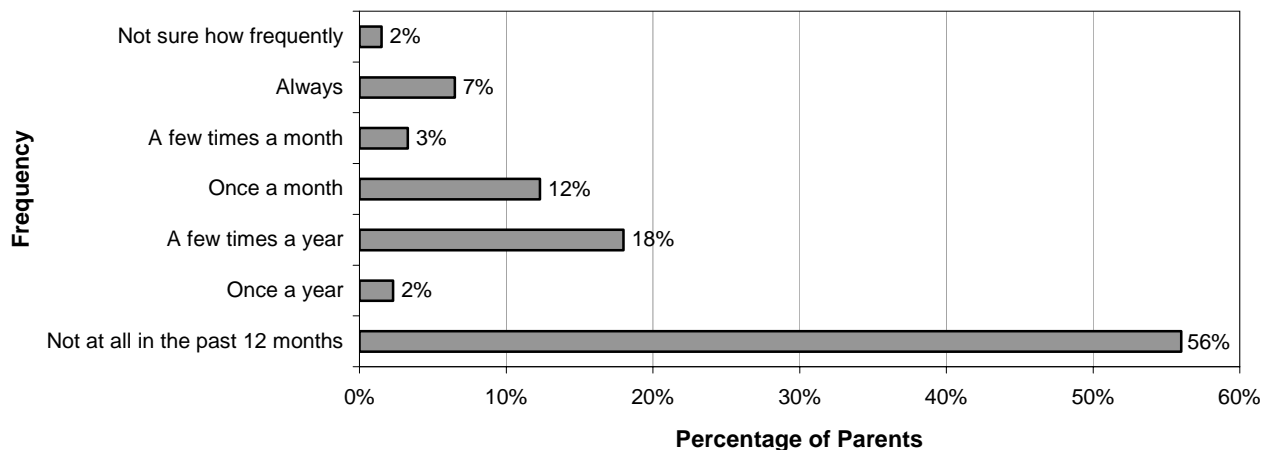
<b>If Parents Had Some Extra Money, the Living Expenses They Would Pay for Are</b>	<b>Overall Percentage</b>	<b>Percentage of Parents who Previously Received Support from Veteran</b>
<b>Buy clothes or shoes</b>	30%	30%
<b>Buy food or groceries</b>	26%	31%
<b>Make home repairs/improvements</b>	23%	22%
<b>Pay utility bills/catch up on utility bills</b>	17%	18%
<b>Get health care services that you need</b>	16%	18%
<b>Pay bills—credit cards, loans or debts</b>	13%	15%

*Source: Survey of Parents' DIC Participants, Appendix C, Table 73*

**3. Do parents run out of money and have to cut back on expenses?**

The limited or nonexistent financial security that parents have is reflected by how frequently parents run out of money and have to cut back on their expenses. In the past 12 months, 44 percent of parents ran out of money and had to cut back on paying their living expenses at least once. Among the parents who previously relied on the support of a veteran, 55 percent cut back on their living expenses at least once over the past year. For 12 percent of the parents overall, this was a once-a-month experience, while for 7 percent of the parents, running out of money and having to cut back on living expenses occurred all the time. Across all award levels, at least 10 percent of the parents had to cut back on their living expenses once a month (Appendix C, Table 74.1.a). Exhibit 8.8 shows how frequently parents ran out of money and had to cut back their living expenses.

**Exhibit 8.8. Frequency of Parents Running Out of Money and Having to Cut Back on Their Living Expenses**



Source: Survey of Parents' DIC Participants, Appendix C, Table 74.1.a

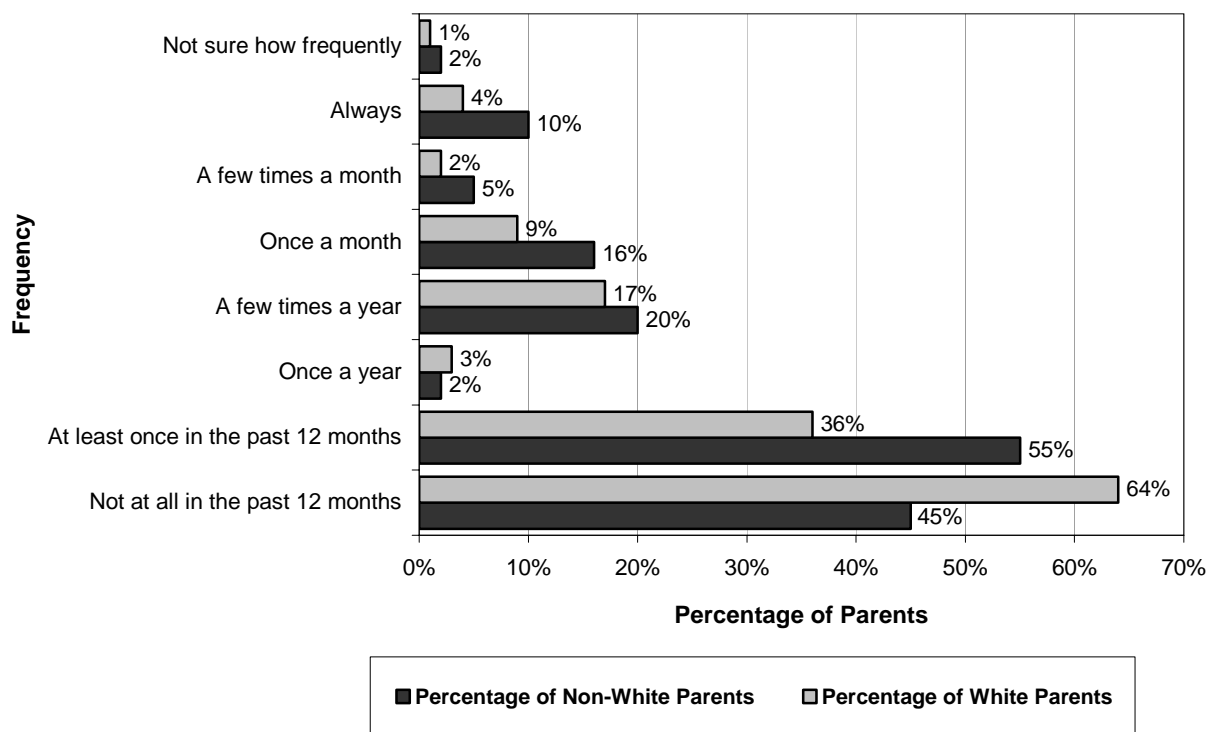
Among parents who previously relied on the support of a veteran, 17 percent ran out of money and had to cut back on their living expenses once a month. By age group, 18 percent of those aged 64 and younger experienced shortfalls in their finances that forced them to cut back on their living expenses once a month, compared with 15 percent of those aged 65–79 and 9 percent of those aged 80 and older. Even among parents who receive the largest benefit amounts, 38 percent indicated that they ran out of money and had to cut back on their lifestyle to pay some living expenses.

A substantially higher percentage of non-White parents report running out of money and having to cut back on their living expenses than White parents. In the past 12 months, more than a third of the White parents (36%) ran out of money and had to cut back paying for their living expenses at least once, compared with 55 percent of non-White parents (Exhibits 8.9). Non-White parents are also more likely than White parents to report running out of money and having to cut back on their living expenses a few times a year (20% of non-White parents and 17% of White parents), once a month (16% of non-White parents and 9% of White parents), a few times a month (5% of non-White parents and 2% of White parents), and always (10% of non-White parents and 4% of White parents).



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**Exhibit 8.9. Frequency of Parents Running Out of Money and Having to Cut Back on Their Living Expenses, by Race**



Source: Survey of Parents' DIC Participants

### 4. Do parents have adequate housing?

Parent survey respondents were asked about the kinds of unmet needs they have that are associated with their housing situation. In assessing their current housing conditions, almost all respondents (94%) agree that they are satisfied with the place where they currently live. As Exhibit 8.10 illustrates, parents believe that their current housing has a functional kitchen and bath, is in a safe neighborhood, has enough space for all the family members, and is in decent condition.

**Exhibit 8.10. Parents' Assessment of Their Current Housing Situation**

Quality of Current Housing	Percentage of Parents Who Agree	Percentage of Parents Who Disagree
Overall satisfaction with the place where I live	94%	6%
Living in a place with complete and working bath facilities	96%	3%
Living in a place with complete and working kitchen facilities	96%	2%
Living in a place that is safe, clean, and in decent condition	95%	5%
Living in a place that has enough space for the whole family	95%	4%
Living in a safe and clean neighborhood	94%	5%

Note: Percentages do not total 100. "Don't know" and "Not sure" responses are not included in this table.

Source: Survey of Parents' DIC Participants, Appendix C, Table 52

While there are little, if any, unmet needs in terms of the quality of parents’ homes or the neighborhoods where parents reside, there are unmet needs that pertain to the lifestyle that parents are able to afford within their homes. For some parents, unmet housing needs extend to paying basic utilities in their homes. Sixteen percent of the parents surveyed had difficulties paying utilities during the last year. Among these respondents, 80% experienced difficulties with interruptions of various utility services in addition to other problems, and 14 percent actually had their telephone service disconnected (Appendix C, Table 72.1.1).

**5. Do parents have unmet health care needs?**

About one-fourth of the parents who participated in the survey report that they are not getting needed health care services. The most commonly reported deficits are for dental care, eyeglasses or eye exams, home health services, and prescription medications. The following table summarizes the most frequently cited types of health care needed but not received. The percentages are based on 1,237 parents in the survey.

**Exhibit 8.11. Health Care Services Needed but Not Received**

<b>Health Care Services Needed but Not Received</b>	
<b>Type of Health Care Service Needed</b>	<b>Percentage of All Parents Reporting Unmet Need</b>
<b>Dental care</b>	7.8%
<b>Eye exams or eyeglasses</b>	6.1%
<b>Home health aide</b>	5.9%
<b>Prescription medications</b>	4.9%
<b>Doctor visits</b>	2.4%
<b>Hearing aids</b>	2.1%
<b>Visiting nurse</b>	2.0%
<b>Summary</b>	
<b>Some unmet health care needs</b>	<b>24.7%</b>
<b>No unmet health care needs</b>	<b>75.3%</b>

*Source: Survey of Parents’ DIC Participants, Appendix C, Table 41*

The study team also conducted 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 parent has unmet health care needs and a value of 0 otherwise. Factors found significant in affecting this measure of health care need were the following: parents with debt more likely to have unmet health care need, parents supported by the veteran more likely to have unmet health care need, and parents with more assets less likely to have unmet health care need.

**C. WHAT STRATEGIES DO PARENTS USE TO MAKE ENDS MEET?**

The survey reveals that parents use a series of strategies to prioritize their expenses by cutting them to the minimum. The strategies to make ends meet put parents in a position of choosing to pay for only their most immediate needs, such as being able to eat food and have shelter, while postponing or ignoring other areas of need. These strategies basically involve parents choosing to live on less food or

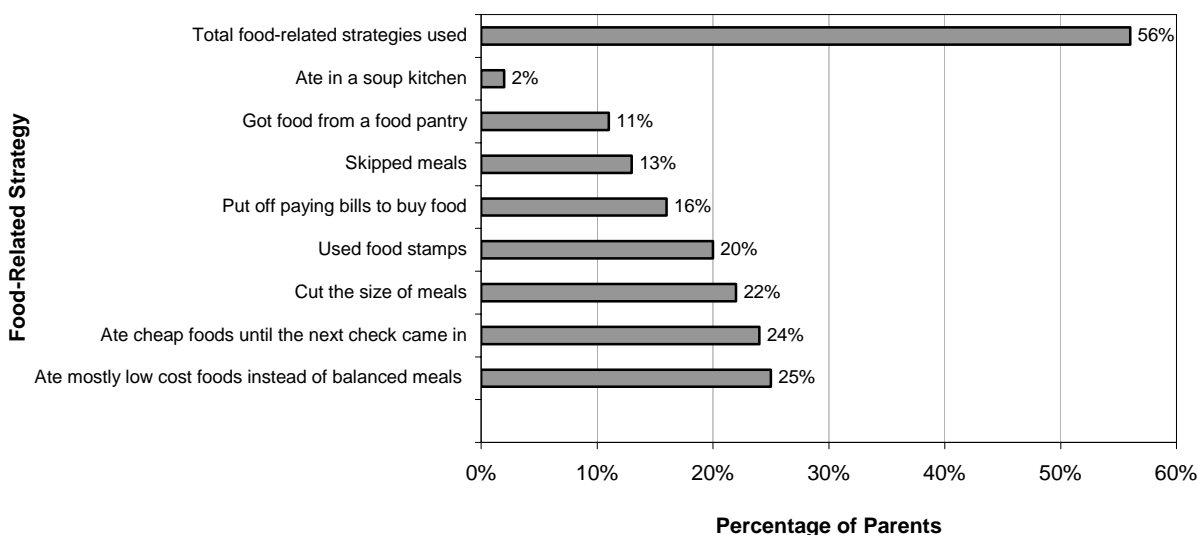
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lower-quality food, postpone health care—including both preventative care and attending to immediate health problems—curtail their travels, and cycle between borrowing from friends and family members and use credit to pay for their basic expenses. The findings reveal that among all types of strategies used by parents needed to make ends meet, strategies to minimize food intake are used by the highest percentage of parents (56%). Fifty-one percent of the parent beneficiaries use strategies that minimize or eliminate basic costs associated with maintaining a home, and 37 percent use strategies that cut back on their health care because they do not have enough money to cover these expenses.

### I. What food-related strategies do parents use to make ends meet?

Overall, more than half of the parents (56%) cut back on the amount of food they consume or find other sources of obtaining food without paying because they did not have enough money to pay for food over the past 12 months. Sixty-three percent of the parents who previously received support from a veteran rely on food-related strategies. More of these parents use all of the food-related strategies, compared with all the parents, with the exception of eating in a soup kitchen. Among parents aged 64 and younger, 74 percent use these strategies to make ends meet (Appendix C, Table 75a). Even at the highest benefit level, (\$400 or more), 45 percent of the parents have to use food-related strategies because they do not have enough money. Twenty-five percent of the parents eat mostly low-cost foods instead of balanced meals to minimize their expenses when they have no money, 24 percent eat cheap foods until they receive the next check, and 22 percent cut the size of the meals they consume (Appendix C, Table 75a). Exhibit 8.12 illustrates the kinds of food-related strategies used to make ends meet, among all parents.

**Exhibit 8.12. Percentage of Parents Who, in the Past 12 Months, Used Food-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money**

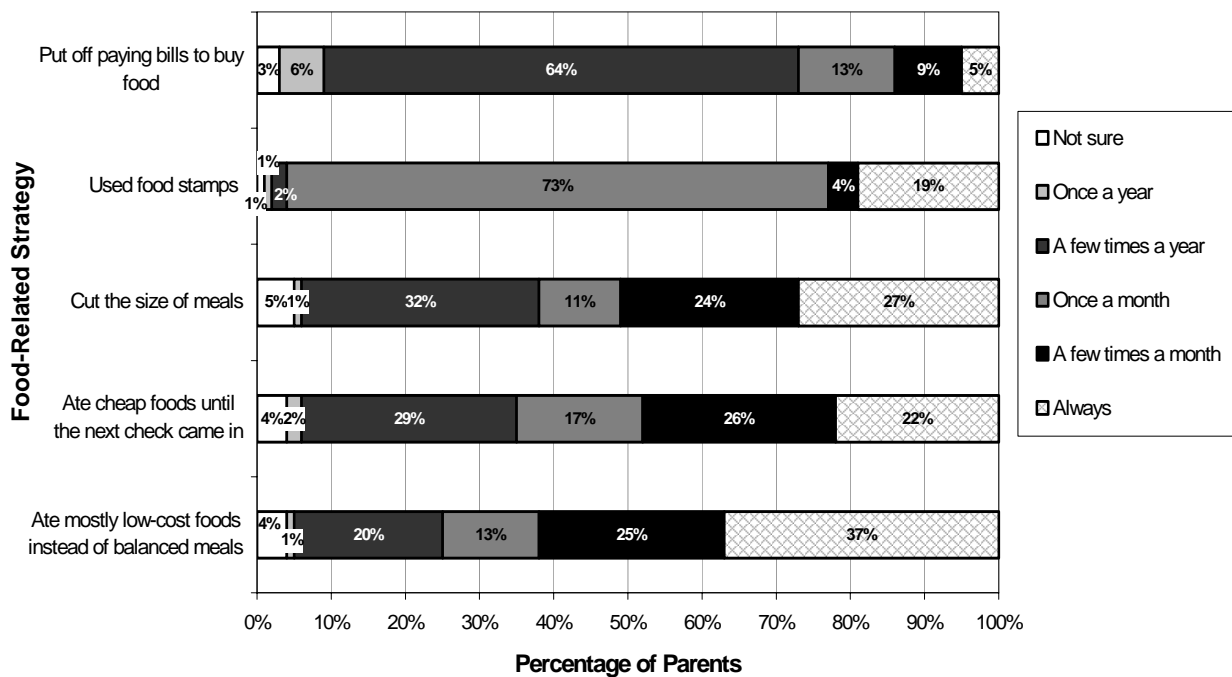


Source: Survey of Parents' DIC Participants, Appendix C, Table 75a

Eating low-cost foods instead of balanced meals is the food-related strategy used by the most parents. Of the 310 parents who eat mostly low-cost foods instead of balanced meals when they run out of money, 37 percent do so regularly, while 25 percent do so a few times a month. When it comes to

eating cheap foods until the next check arrives, 26 percent of the 302 parents who use this strategy to get by do so a few times a month, while 22 percent of the parents eat cheap food all of the time. Of the parents who cut the size of meals, 27 percent do so regularly, while 32 percent say that they do this a few times a year. Food stamps are used once a month by 73 percent of the 244 parents who use this strategy to purchase food when they run out of money. Nearly 20 percent of these parents use food stamps regularly. Among the 203 parents who indicated that they put off paying bills to buy food, 64 percent use this strategy a few times a year and 13 percent use it once a month. Slightly fewer than 20 percent of the 164 parents who skip meals because they do not have enough money use this strategy all of the time, while 32 percent do it a few times a month. The 131 parents who use a food pantry say that they do so once a month (Appendix C, Table 75ax). Exhibit 8.13 shows how frequently the five most noted food-related strategies parents used during the past 12 months.

**Exhibit 8.13. The Frequency with Which the Five Most Noted Food-Related Strategies Are Used by Parents During the Past 12 Months**



Source: Survey of Parents' DIC Participants, Appendix C, Table 75ax

Eating low-cost foods instead of balanced meals is used by higher percentages of parents in more frequent cycles than the other food-related strategies (Appendix C, Table 75ax). As a result, at least one-third of the parents using this strategy are not consuming specific foods that provide a balanced diet. Thirty-nine percent of parents are not consuming meat, fish poultry or protein foods: Thirty-eight percent are not consuming vegetables, and 33 percent are not consuming fruits—either canned or fresh (Exhibit 8.14). Slightly higher percentages of parents who received support from a veteran and parents age 64 and younger do not consume foods from these food categories because they cannot afford it (Appendix C, Table 75.7).

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**Exhibit. 8.14. Percentage of Parents Who Did not Get Various Foods for a Balanced Diet Because They Ate Mostly Low-Cost Foods to Make Ends Meet**

<b>Foods That Parents Are Not Getting for a Balanced Diet</b>	<b>Overall Percentage</b>
<b>Meat, fish, poultry, beans, or protein foods</b>	39%
<b>Vegetables</b>	38%
<b>Fruit</b>	33%
<b>Dairy products</b>	13%
<b>Grains—cereals, bread, rice, pasta</b>	10%
<b>Juices</b>	3%
<b>Other foods</b>	2%

Note: Percentages are for 25 percent of parents who ate low-cost foods.

Source: Survey of Parents' DIC Participants, Appendix C, Table 75.7

Instead of making more expensive food selections that would provide a balanced diet, parents who eat low-cost foods when they run out of money subsist on foods high in starches, such as potatoes, cereal, and noodles (Appendix C, Table 75.8). Appendix C, Table 75.8 presents the five most frequently eaten, cheap foods that parents consume until they receive their next check. There are also some differences in how parents consume the kinds of cheap foods they eat when we examine the findings by age: Parents 80 and older prioritized beans as the cheap food they selected most (19%), followed by canned soup or dry soup mixes (16%) noodles or pasta (14%), cereal (13%) and potatoes (12%). Among parents 64 and younger, 39 percent purchased noodles or pasta, potatoes (20%), beans (15%), cereal (13%), and canned or dry soup mixes (9%). As older parents did, the largest percentage of those aged 65–79 ate beans (24%). However, 21 percent of those parents ate noodles, 17 percent ate either potatoes or cereal as their cheap food of choice, and 13 percent consumed canned or dry soup (Appendix C, Table 75.8).

**Exhibit 8.15. Percentage of Parents Who Ate Various Cheap Foods Until the Next Check Came to Make Ends Meet**

<b>Foods That Parents Ate When They Did Not Have Money to Buy Food</b>	<b>Overall Percentage</b>
<b>Noodles or pasta</b>	22%
<b>Beans</b>	21%
<b>Potatoes</b>	16%
<b>Cereal</b>	15%
<b>Canned or dry soup mixes</b>	13%

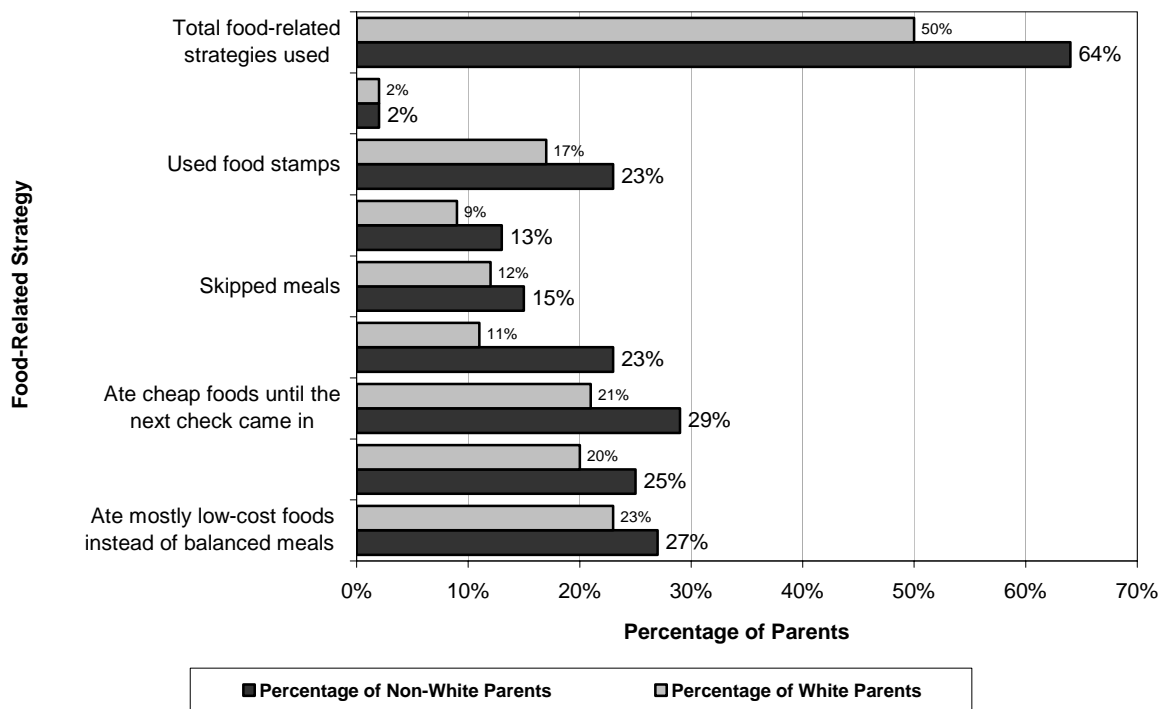
Note: Percentages are for the 24 percent of parents who ate cheap foods.

Source: Survey of Parents' DIC Participants, Appendix C, Table 75a

Overall, a higher percentage of non-White than White parents report using food-related money saving strategies in the past 12 months (64% of non-White parents and 50% of White parents) (Exhibit 8.16). Non-White parents are more likely than White parents to eat low cost foods instead of balanced meals

(27% of non-White parents and 23% of White parents), cut the size of meals (25% of non-White parents and 20% of White parents), eat cheap food until the next check (29% of non-White parents and 21% of White parents), put off paying bills to buy food (23% of non-White parents and 11% of White parents), skip meals (15% of non-White parents and 12% of White parents), get food from a pantry (13% of non-White parents and 9% of White parents), and use food stamps (23% of non-White parents and 17% of White parents).

**Exhibit 8.16. Percentage of Parents 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 Parents' DIC Participants

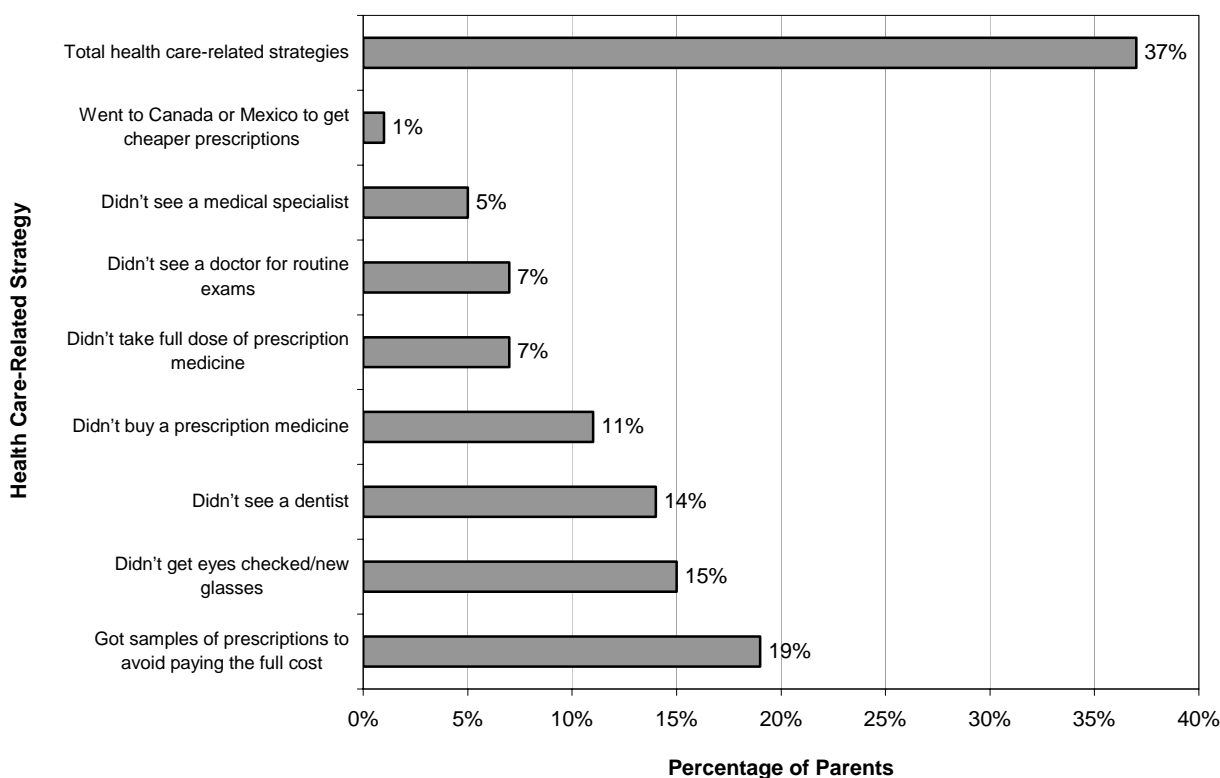
**2. What health care strategies do parents use to make ends meet?**

Parents' lack of financial resources also translates into the need to cut back on basic health care to save money or to eliminate obtaining health care when parents' financial resources are depleted. Overall, 37 percent of parent beneficiaries cut back on health care because they do not have enough money to cover these expenses. The most cited strategy (19%) is getting samples of prescription medications to avoid paying the full cost for prescriptions. Parents cut back on preventative and routine health care services: Fifteen percent of parents do not get their eyes checked or get new glasses and 14 percent have not seen a dentist in the past 12 months (Appendix C, Table 75b). Additional strategies used to stretch parents' financial resources for health care include not taking the full dose of a prescription medicine (7%) and not seeing a medical specialist (5%) (Exhibit 8.17). As with the use of food-related strategies, higher percentages of parents who previously relied on the support of a veteran before the death of the veteran and parents aged 64 or younger use these strategies to make ends meet. While younger parents are only about 10 percent of the overall survey population, the percentages of parents

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using the five most cited health care strategies to get by is almost double that of the overall percentages. For example, 25 percent of parents 64 and younger get samples of prescription medication to avoid the full cost of prescriptions, compared with 19 percent of parents overall; 25 percent of these younger parents do not get their eyes checked and 26 percent don't see a dentist, compared with 15 percent and 14 percent of parents overall. (Appendix C, Table 75b).

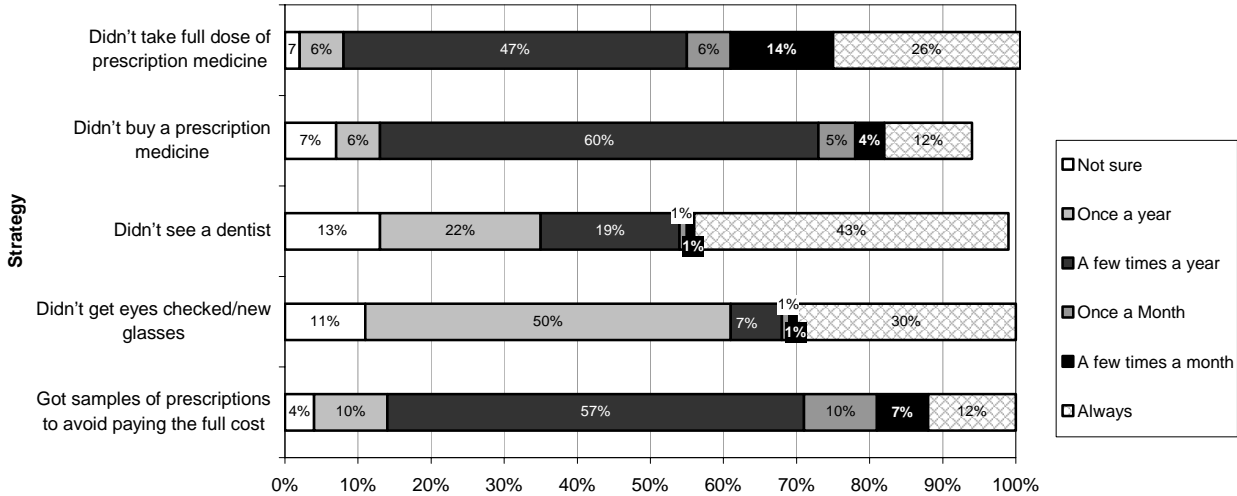
**Exhibit 8.17. Percentage of Parents Who, in the Past 12 Months, Used Health Care-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money**



Source: Survey of Parents' DIC Participants, Appendix C, Table 75b

Parents use many of the most used strategies a few times throughout the year (Exhibit 8.18). Overall, 57 percent of the 231 parents surveyed use the strategy of getting samples of prescription medications to avoid paying the full cost of their medications a few times a year, while 12 percent always use this strategy. Half of the 183 parents who did not get their eyes examined or purchase new glasses use this strategy once a year; 30 percent of them indicate using this strategy all the time. Forty-three percent of the 173 parents who did not see a dentist at all during the past 12 months to minimize their health care expenses always use this strategy, and 60 percent of the 131 parents who use this strategy to minimize health care costs because they do not have enough money to cover the expenses do not purchase prescription medicines a few times a year. Among the 84 parents who minimize their health care expenses by not seeing a doctor, 46 percent do not make routine appointments, and 26 percent do not see a doctor at all (Appendix C, Table 75bx).

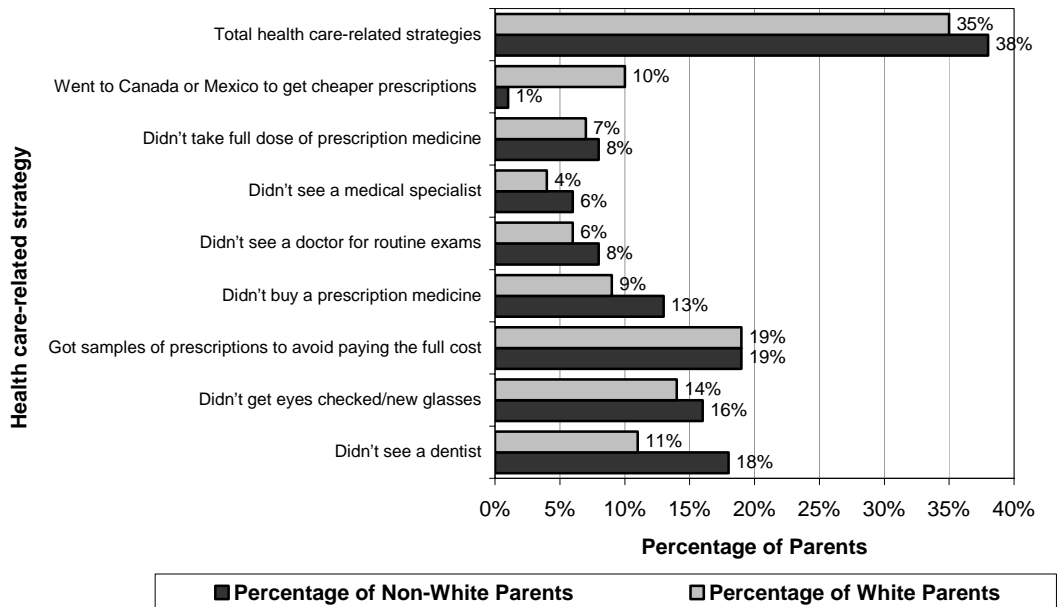
**Exhibit 8.18. The Frequency with Which the Five Most Noted Health Care-Related Strategies Are Used by Parents, During the Past 12 Months**



Source: Survey of Parents' DIC Participants, Appendix C, Table 75bx

A slightly higher percentage of non-White than White parents report using health care-related strategies to save money in the past 12 months (38% of non-White parents and 35% of White parents) (Exhibits 8.19). Non-White parents are more likely than White parents to avoid going to the dentist (18% of non-White parents and 11% of White parents), not getting eye exams or eyeglasses (16% of non-White parents and 14% of White parents), avoid buying prescription medicine (13% of non-White parents and 9% of White parents), not going to the doctor (8% of non-White parents and 6% of White parents), and not seeing medical specialist (6% of non-White parents and 4% of White parents).

**Exhibit 8.19. Percentage of Parents Who, in the Past 12 Months, Used Health Care-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money, by Race**



Source: Analysis of Parents' DIC Survey



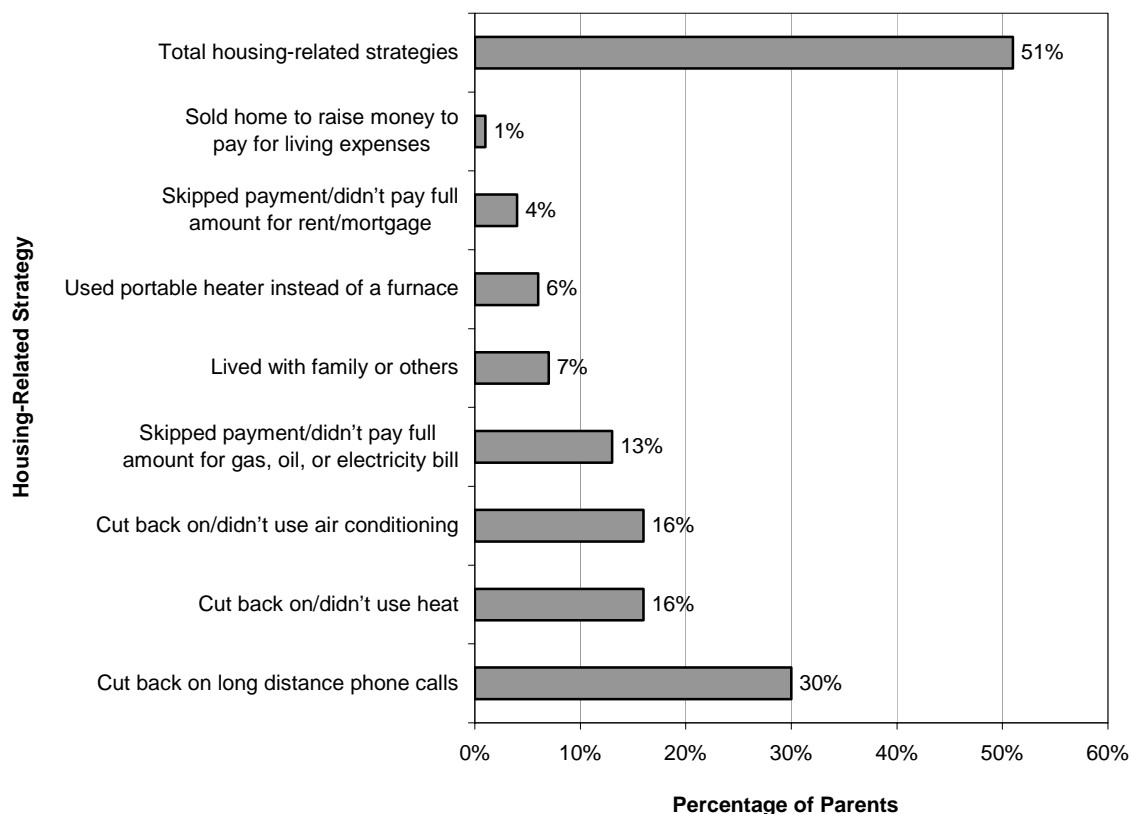
## CHAPTER 8. NEEDS

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### 3. What housing-related strategies do parents use to make ends meet?

Parents' use housing-related strategies to make ends meet because they do not have enough money for their basic living expenses, as Exhibit 8.20 shows. Strategies that minimize or eliminate basic costs associated with maintaining a home are used by 51 percent of parents overall. The minimization of long-distance phone calls is used by the highest percentage of parents (30%) as a strategy to cut costs, while 16 percent either eliminate or cut back on heating or air conditioning their homes.

**Exhibit 8.20. Percentage of Parents Who, in the Past 12 Months, Used Housing-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money**



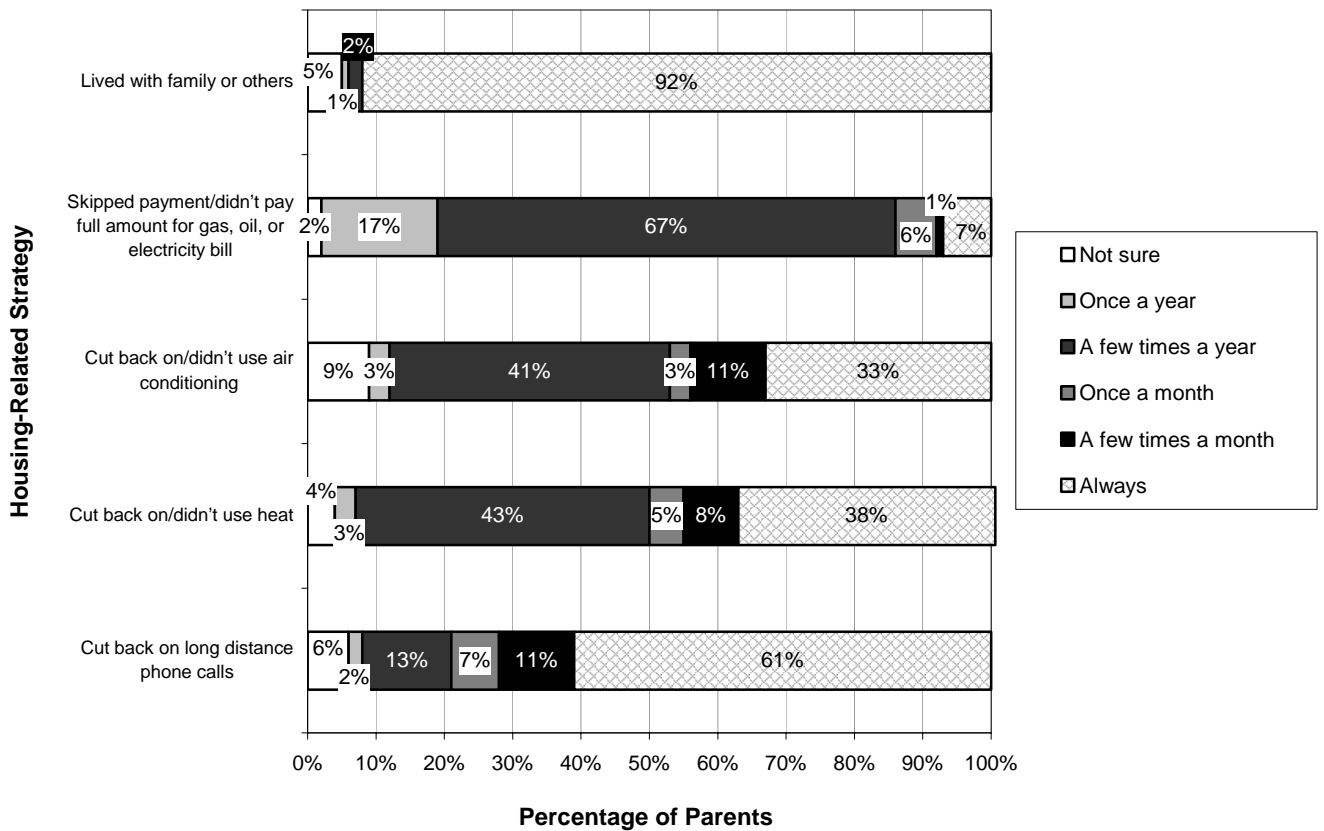
Source: Survey of Parents' DIC Participants, Appendix C, Table 75c

The strategy of cutting back on long-distance phone calls is used all of the time by 62 percent of parents who use this strategy, while 11 percent use the strategy a few times a month. A slightly higher percentage of parents who previously relied on the support of a veteran (69%) cut down on long-distance phone calls all the time as a way to make ends meet.

Exhibit 8.21 illustrates how frequently parents used these housing-related strategies to make ends meet. Cutting back on heating services, a strategy used by 202 of the parents surveyed, is used by 43 percent of these respondents a few times a year, but 38 percent did not use their heating system at all during the past 12 months. Similarly, 41 percent of the 193 parents who did not use air conditioning in order to make ends meet did so a few times a year, but one-third of the parents using this strategy always cut

back or did not use air conditioning in order to stretch their limited funds. Two-thirds of the parents who skipped a payment or did not pay the full amount for utilities used this strategy a few times a year. Almost all the parents who tried to make ends meet by living with family or with others did so all the time (92%) (Appendix C, Table 75cx).

**Exhibit 8.21. The Frequency with Which the Five Most Noted Housing-Related Strategies Were Used by Parents During the Past 12 Months**

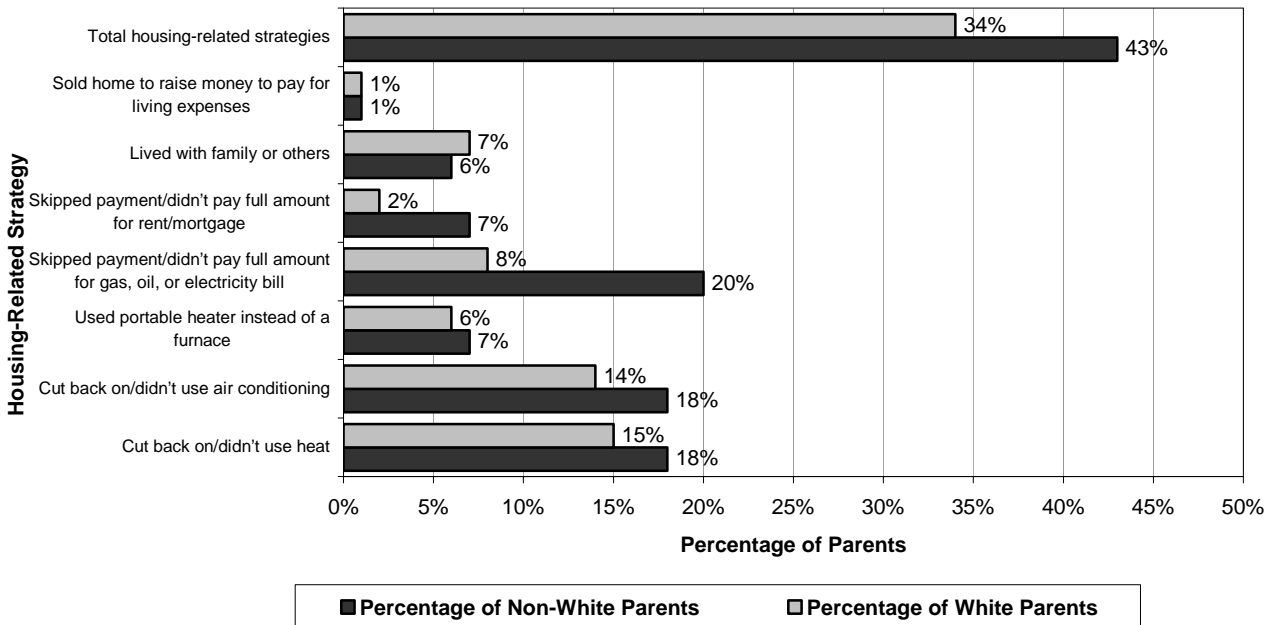


Source: Survey of Parents' DIC Participants, Appendix C, Table 75cx

Non-White respondents are more likely than Whites to report using various housing-related strategies to make ends meet (43% of non-White parents and 34% of White parents) (Exhibit 8.22). Non-White parents are more likely than White parents to cut back on using heat (18% of non-White parents and 15% of White parents), not pay the full amount for utility bills (20% of non-White parents and 8% of White parents), cut back on using air conditioning (18% of non-White parents and 14% of White parents), and not pay the full amount for rent or mortgage (7% of non-White parents and 2% of White parents).

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**Exhibit 8.22. Percentage of Parents Who, in the Past 12 Months, Used Housing-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money, by Race**



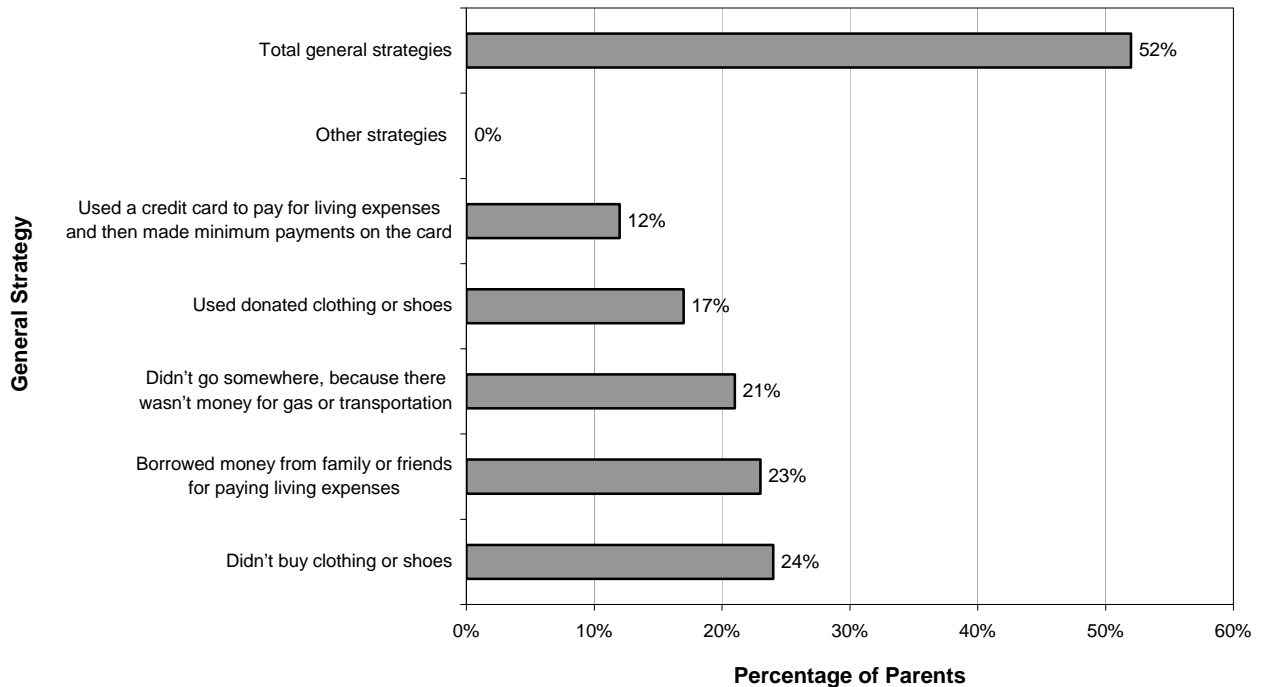
Source: Survey of Parents' DIC Participants

### 4. What general strategies do parents use to make ends meet?

Parents also use general coping strategies, such as cutting back on their expenses, to stretch their limited funds in order to make ends meet (Exhibit 8.23). These strategies include the following:

- ◆ Not buying clothing or shoes (24%)
- ◆ Borrowing money from family or friends (23%)
- ◆ Eliminating travel outside of the home (21%)
- ◆ Using donated clothing or shoes (17%)
- ◆ Using a credit card to pay for expenses and then making the minimum payment on the card (12%).

**Exhibit 8.23. Percentage of Parents Who, in the Past 12 Months, Used General Strategies to Make Ends Meet Because They Did Not Have Enough Money**



Source: Survey of Parents' DIC Participants, Appendix C, Table 75d

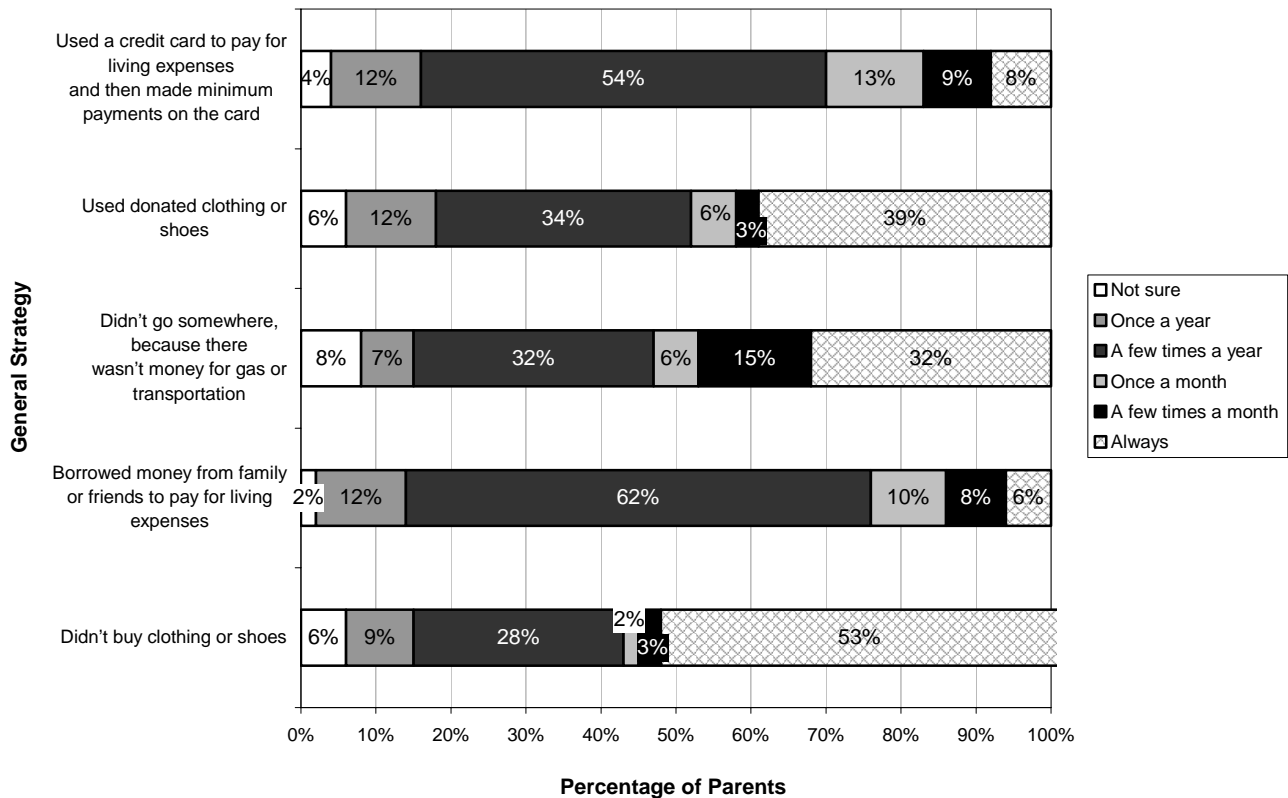
As with the other types of coping strategies parents use when they do not have enough money to live on, the parents who previously relied on the support of a deceased veteran child before his/her death were more financially stressed, as higher percentages of this population use the general strategies to make ends meet. Sixty-one percent of these parents, who comprise about half of those surveyed, used general strategies during the past year, compared with the 52 percent of parents using these methods to survive. Thirty percent of the parents who previously received support from a veteran borrowed money from family or friends to pay living expenses, while 29 percent did not buy clothing or shoes, and 28 percent did not go somewhere because there was not any money for gas or transportation (Appendix C, Table 75d).

Many of the most used general strategies are used by the highest percentage of parents a few times a year, with the notable exception of either not buying new clothes or shoes or using donated clothes or shoes strategies, which are always used by the highest percentage of parents needing a way to make ends meet (Appendix C, Table 75e). Overall, 297 parents did not buy clothing or shoes because they simply could not afford them. Among those respondents, this coping strategy is used by 53 percent of parents all the time, meaning that more than half of the parents never have enough money to buy clothing or shoes. Among the parents who borrow money from family or friends to pay for their living expenses (288 of the respondents overall), 62 percent say that they use this strategy a few times a year. Among those who do not go somewhere because there is not enough money for transportation or gas, one-third of the parents use this strategy a few times a year; a third of the parents use this strategy all the time. Forty percent of the parents who use donated or borrowed clothing or shoes do so all the time, while another 34 percent do so a few times a year. Fifty-four percent of the parents who use a

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credit card and then pay only the minimum balance to cover their expenses do so a few times a year (Appendix C, Table 75dx).

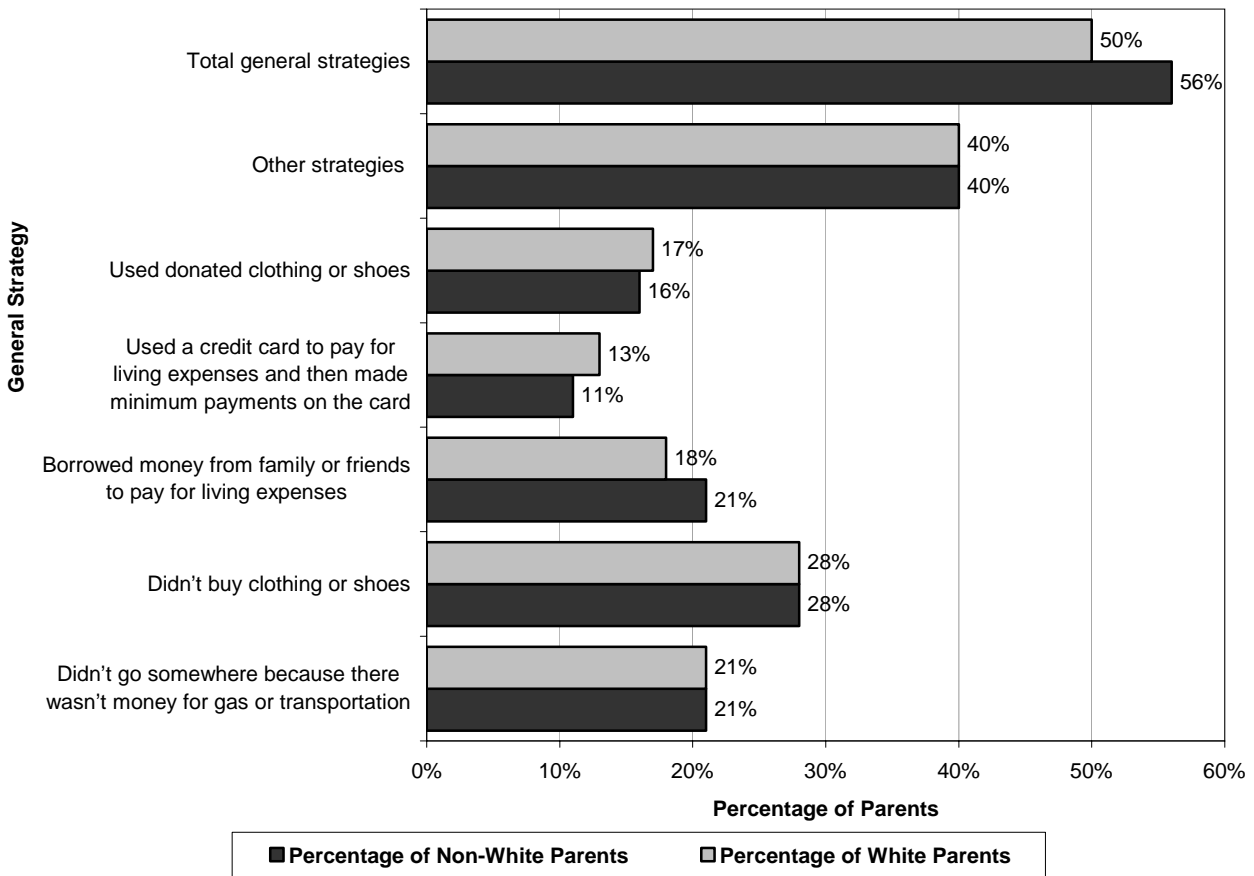
**Exhibit 8.24. The Frequency with Which the Five Most Noted General Strategies Were Used by Parents During the Past 12 Months**



Source: Survey of Parents' DIC Participants, Appendix C, Table 75dx

A larger percentage of non-White parents report using general strategies to make ends meet than White respondents (56% of non-White parents and 50% of White parents) (Exhibit 8.25). Non-White parents are more likely than White parents to avoid buying clothing or shoes (28% of non-White parents and 21% of White parents) and borrow money from friends or family (30% of non-White parents and 18% of White parents). White parents are slightly more likely than non-White parents to incur credit card debt to pay for living expenses (13% of White parents and 11% of non-White parents). With respect to the non-basic living expense strategy of cutting back on making long-distance telephone calls, a smaller percentage of White parents report using this strategy (29%) than non-White parents (32%).

**Exhibit 8.25. Percentage of Parents Who, in the Past 12 Months, Used General Strategies to Make Ends Meet Because They Did Not Have Enough Money, by Race**



Source: Survey of Parents' DIC Participants

## D. HOW HAVE PARENTS' SITUATIONS CHANGED?

This discussion focuses on an analysis of the changes that parents experienced in their circumstances since enrolling in the Parents' DIC program. It focuses on the conditions of participating, the effect of the program on parents' lifestyle, and the impact of the program on parents' well-being.

### I. How do parents' current financial situations compare to the year before they began receiving benefits?

Relatively new Parents' DIC program enrollees, those receiving benefits after 2000, form the basis for comparing many of the before-and-after conditions of parent beneficiaries in assessing the impact of the Parents' DIC benefits. Compared with the all survey respondents, the number of survey respondents who are new enrollees is very small—22 participants or 2 percent of the survey respondents. This is consistent with the Parents' DIC program population—since 2000, only 2 percent of the population consists of new enrollees. Of the 22 recent beneficiaries, 12 are White parents (55%) and 10 are Non-White parents (45%).

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For slightly more than one-third of the parents asked, the impact of receiving the VA benefits on their financial situation is perceived to be little to none, but nearly 20 percent of the respondents rate their financial situation as much better than it was the year before receiving the DIC benefits. Thirty-six percent of the new enrollees rate the current financial situation after receiving the Parents' DIC benefits as about the same as it was before receiving the benefits (Appendix C, Table 17). Overall, 18 percent of the parents rate their financial situation as "much better" than the year before they began receiving DIC benefits, while 14 percent rate their situation as "somewhat better." Slightly higher percentages of new enrollees who previously received the support of a veteran rate their financial condition as either "somewhat better" (15%) or "much better" (23%), compared with the findings for all the new parent enrollees.

White recent participants are more negative than non-White respondents in their ratings of their current financial situation, compared with the year before receiving VA benefits. White parents are more likely than non-Whites to report their current financial situation to be worse than before receiving VA benefits (33% of White parents and 20% of non-White parents). Conversely, the larger percentage of non-White respondents report that their current financial situation is better (33% of White parents and 40% of non-White parents) or the same (33% of White parents and 40% of non-White parents) as before receiving VA benefits.

### **2. How do the 22 new enrollees' current income compare with their income before receiving benefits?**

New enrollees are evenly divided on the impact of the Parents' DIC program on their annual household income. About 50 percent indicate that their income is about the same, while the remaining half indicate that their income increased since enrolling in the program (Appendix C, Table 12). Among those who previously received support from a veteran, 54 percent of the parents indicate that their total annual household income increased since they enrolled in the program.

When comparing the actual amount of total yearly household income of new program enrollees before and after receiving the benefits, the benefits increased the income of respondents by an average of about \$2,000. Before receiving VA benefits, parents who recently began receiving DIC benefits had an average total household income of \$6,708. Counting all the sources of income, including any earnings, interest, Social Security pensions, and other benefits including VA benefits, parents report \$8,651 as their average total household income after receiving VA benefits. This increase is consistent with the addition of the average Parents' DIC benefits (Appendix C, Table 12.1). White parents are also more negative than non-White parents in their ratings of their current household income, compared with their household income before receiving VA benefits. White parents are more likely than non-White parents to indicate that their current household income is less than in the year before they received VA benefits (17% of White parents and 0% of non-White parents). While a greater percentage of non-White parents report that their current household income is more than before they received VA benefits (42% of White parents and 50% of non-White parents) or the same as before receiving VA benefits (42% of White parents and 50% of non-White parents).

### **3. Do parents encounter difficulties in paying their living expenses in the last 12 months, compared with the year before receiving benefits?**

The Parents' DIC benefits enabled a majority of new program enrollees to pay for more of their basic living expenses. A majority of newer program participants (64%) were unable to pay for basic living

expenses before they received benefits the year before they enrolled in the VA Parents' DIC program. During the 12 months that they have been enrolled, 27 percent of parents have difficulty paying for their basic living expenses (Appendix C, Table 16). Compared with non-White parents, a substantially greater percentage of 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 VA benefits. White parents are more likely than non-White parents to report having difficulty or inability to pay for their living expenses in the year before receiving VA benefits (50% of non-White parents and 75% of White parents) and in the past 12 months (20% of non-White parents and 33% of White parents).

#### **4. What were parents' three highest living expenses the year before receiving VA benefits?**

Before they received VA benefits, new enrollees' three highest expenses included utilities and housing, food, and health care. The year before receiving the Parents' DIC benefits, 77 percent of parents identified utilities as one of their three highest living expenses; 55 percent identified housing expenses, such as a rent or mortgage; and 36 percent identified groceries or food as one of their three highest living expenses. Additionally, 23 percent identified taxes and 14 percent identified their health care expenses as one of the three most costly living expenses incurred (Appendix C, Table 13). Before they received benefits, the average cost of the three most identified living expenses ranged from about \$1,700–3000. The average cost of utilities was \$1,670, housing almost \$3,000, and food or groceries \$2,273. (Appendix C, Table 13a).

There was little change in the living expenses identified as the three highest among new enrollees after receiving the Parents' DIC benefits, with utilities, housing, food or groceries, taxes, and health care still among the five most cited, highest costs. There is a shift in the ranking of these expenses: While 70 percent of new enrollees still identify utilities as one of the three highest living expenses, 59 percent of parents include the cost food or groceries in the top three costs, and 46 percent of the parents include housing costs.

#### **5. Has parents' health changed?**

The 22 new program enrollees, respondents who began receiving benefits after 2000, were also asked to assess their health status before and after receiving VA benefits. The findings indicate that for some enrollees, personal health has declined from good to fair since they began receiving benefits. Before receiving benefits, half of the new enrollees rated their health as fair, 36 percent rated it as poor, and 14 percent rated it health as good. Since receiving VA benefits, the percentage of those rating their health as poor remained the same, but the percentage of those rating their health as good dropped to 5 percent and the percentage of those rating their health as fair rose to 59 percent (Appendix C, Table 18). Their age and health conditions (see below) are probable factors contributing to this decline.

#### **6. What health care expenses did parents have the year before receiving benefits?**

Most parents who began receiving benefits after 2000 (N = 22) paid some of their health expenses before they received the VA benefits, citing prescription medication, doctor visits, and eyeglasses or eye exams as the three most frequent expenses. The average health care expense is \$3,465.43 among these parents (Appendix C, Table 14a). Prescription medications are the most frequently cited expense (41%), followed by doctor visits (23%) and eye care (18%) (Appendix C, Table 14). Prescription medications cost parents an average of \$2,637.60 the year before they received their VA benefits. The



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tabular analysis indicates that parents paid the kinds of health expenses that could be described as basic care, since they were not paying for extensive treatments, visits to daily professional health care providers, or physical therapists.

### E. SUMMARY

Parents have very limited or nonexistent financial security, despite receiving the DIC benefits. Parent beneficiaries believe that their DIC benefits provide either moderate or little financial security. Even among those who receive the largest awards, less than half rate the benefits as providing a strong sense of security. Non-White respondents also rate their current financial situation more negatively than White respondents. While nearly half of the parents report their current income to be more than before they began receiving benefits, nearly half of them report that their current income is the same. Parents' financial security is compromised, despite receiving DIC benefits. The benefits that parents receive through the Parents' DIC program are not sufficient to cover the primary living expenses of almost one-third of all the parents, as these parents struggle to pay for basic necessities. Non-White parents rate the financial security provided by their DIC benefits more negatively than White parents do. Of the parents surveyed, 30 percent indicate that they experienced either difficulty paying for or were not able to pay various living expenses during the past 12 months. For about half of the respondents, the Parents' DIC benefits cover only some of the parents' cost-of-living increases, but not most or all. Twenty-nine percent of the parents say that the benefits do not cover any of their cost-of-living increases. In assessing their financial situations, 41 percent of the parents surveyed can afford only the basic necessities, having little or no money left for other expenses, while 20 percent indicate that their lifestyle is defined by having to make sacrifices and cutting back on necessities.

Many parents' lack of financial security is evidenced when we examine the circumstances that parents face to find means to cover the cost-of-living expenses. The analysis indicates that many parents experience a constant shortage of financial resources to pay for basic living expenses such as utilities, food, clothing, and basic health care. Depending on the necessity in question (food, health care, utilities, transportation), one-third to more than half of the parents are in a constant search for means to stretch their resources because their benefit runs out too soon, thus contributing to a state of financial insecurity. Parents devise strategies where their basic necessities—food, shelter, utilities, health care—are cut to a minimum to get by or are not obtained at all.

For these parents, living day-to-day is defined by having to choose how much food they can afford to consume, what health care services they can afford to receive, and whether to pay for electricity, forego traveling outside of the house, use the heat or air conditioning, or make long-distance phone calls. These parents' financial security is so fragile that they use various methods to stretch their resources when their benefits run out, something that 44 percent of the parents experienced at least once during the past 12 months. Compared with White parents, non-White parents experienced greater financial strain and, as a result, had to rely more on various money-saving strategies to make ends meet. Among the parents who previously relied on the support of a veteran, 55 percent had to find some way to cut back on living expenses at least once during the past year. These strategies center on the areas for which parents have a difficult time covering living expenses: food, utilities and shelter, and health care.

Having enough food and having food that provides a balanced meal until the next check arrives constitutes a serious unmet need, one that indicates the parents' lack of financial security. Food-related strategies are the strategies that parents use the most to figure out a way to make ends meet until they

receive more money. More than half of the parents surveyed (56%) frequently sacrifice their nutrition, and perhaps long-term health, to have money to pay for other basic necessities; they consume cheaper and less nutritious foods less frequently or in smaller portions. Food is the expense that parents cut more often to afford their health care and utilities. Parents also indicate that buying more food is the second thing (after buying clothing and shoes) they would do if they had more money. Parents' lack of financial security also translates into the need to cut back on basic health care to save money, or to abstain from obtaining health care when their financial resources are depleted. Thirty-seven percent of the parents use health care-related strategies to compensate for not having enough money to cover basic living expenses.

The need for parents to use health care-related strategies because they lack financial security is also a serious issue, particularly because of their current health condition. Parents are afflicted with an average of four major health problems and have physical limitations that affect their activities of daily living and quality of life. The parents' poor financial condition is also evident by their use of other strategies to stretch limited income. Nearly one-fourth of the parents 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 using credit cards and then paying the minimum payment, thereby incurring future debt.

The use of these strategies to stretch limited resources, both material and financial, is not a rare occurrence for parents. The analysis indicates that parents use these strategies often, sometimes all of the time. Furthermore, parents are not only cutting on food or limiting health care, these strategies are used concurrently as parents try to pay for living expenses when their benefit (as well as other financial resources) run out too soon. The parents who previously relied on the support of a veteran child before that child's death (nearly half of those surveyed) are more financially stressed, and higher percentages of this population use these strategies to make ends meet.

Although parents feel that receiving the Parents' DIC benefit only gives them little-to-moderate financial security, the evidence about the kinds of strategies parents use to make ends meet suggests that up to half of the parent beneficiaries would be in significantly worse financial shape without the Parents' DIC benefit. The benefit is an important part of parents' ability to survive, even at a subsistence level.



# CHAPTER 9. SATISFACTION

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This chapter addresses the satisfaction of parents who participate in the Parents' DIC program. Analyses were conducted to determine the parents' level of satisfaction with the program. The objectives of these analyses are to:

- ◆ 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 concern overall satisfaction and satisfaction with the following items:

- ◆ The application process
- ◆ Sending in information on changes to situation
- ◆ VA staff
- ◆ Amount of benefit
- ◆ Counting the income of spouses in calculating parents' benefit amount
- ◆ Treatment of unreimbursed medical expenses (UMEs) in determining benefit amount
- ◆ Overall service experience since receiving VA benefit.

Satisfaction ratings have 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

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 rely primarily on the calculation of average ratings and the frequency distribution of the six satisfaction ratings. We also calculate the relative importance of each program attribute to overall satisfaction. Our approach is not to directly ask respondents which attributes contribute most to their overall satisfaction, but to base the assessment of what factors most influence overall satisfaction on the strength of the statistical

## CHAPTER 9. SATISFACTION

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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 respondents (57.4% of those who provide a rating) rate the program *overall*, 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 overall highly, satisfaction scores still show enough variation to let us assess differences in satisfaction scores by program attribute.

Parents are most satisfied with the staff at the Regional Office or Service Call Center and are less satisfied with the amount of the benefit they receive. We also find that the most important factors driving overall satisfaction are the amount of the benefit, the overall service experience, and the counting of spouses’ income.

### A. WHAT ARE THE AVERAGE SATISFACTION SCORES?

Exhibit 9.1 shows mean satisfaction scores for overall satisfaction and seven attributes of the Parents’ DIC process. Overall satisfaction with the Parents’ DIC program is 4.29.

**Exhibit 9.1. Average Satisfaction Scores for Parents’ DIC Survey Respondents**

Satisfaction	Average* Score
<b>Overall satisfaction with Parents’ DIC program</b>	4.29
<b>Amount of benefits received</b>	3.57
<b>VA staff</b>	4.91
<b>Application process overall</b>	4.72
<b>Sending in information</b>	4.59
<b>Counting the spouses’ income</b>	3.97
<b>Treatment of unreimbursed medical expenses</b>	4.33
<b>Overall service experience<sup>1</sup></b>	4.29

\*Averages based on a scale of 1–6 described previously

Source: *Survey of Parents’ DIC Participants, Appendix C, Tables 78–81 and 83–84*

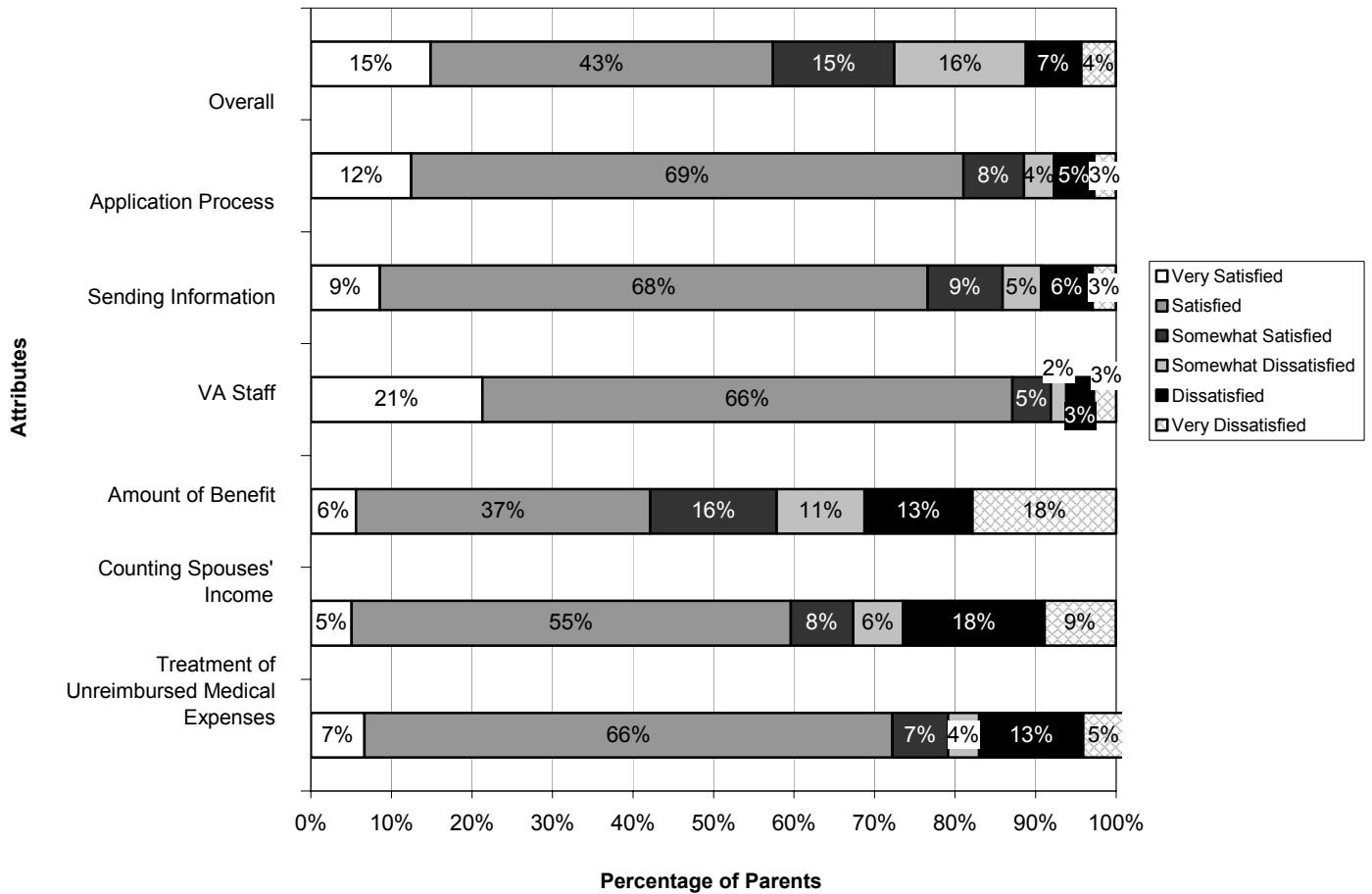
Highest satisfaction scores are for VA staff (4.91), the application process overall (4.72), and sending in information (4.59). Treatment of unreimbursed medical expenses (4.33) and overall service experience (4.29) are scored “somewhat satisfied.” The lowest satisfaction rating is for the amount of benefits received (3.57) and the counting of spouses’ income (3.96). Both of these areas receive a “somewhat dissatisfied” rating. It should be noted that all of the scores, except for two, are above 4.0, which indicates some satisfaction. Exhibit 9.2 shows the distribution of responses.

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<sup>1</sup> Based on a scale of 1-5, 5 being the highest level of satisfaction.

The results are similar to the results of a previous study conducted by the study team for DIC surviving spouses. In the study of DIC surviving spouses, VA staff had the highest satisfaction rating, and the amount of benefits had the lowest satisfaction rating.

**Exhibit 9.2. Distribution of Satisfaction Scores, by Attribute  
(For Parents Who Provided Satisfaction Score)**



Source: Survey of Parents' DIC Participants, Appendix C, Tables 78–81 and 84

## B. WHO IS SATISFIED AND WHO IS NOT?

Average overall satisfaction scores, by parent characteristics, are reported in Exhibit 9.3. The characteristics in the table are for the parents of the veterans.

Findings regarding overall satisfaction include the following:

- ◆ Little or no differences in satisfaction occur based on the age of the parent.
- ◆ Male parents are less satisfied than female parents.

## CHAPTER 9. SATISFACTION

- ◆ As parents' education increases, they tend to be less satisfied.
- ◆ Asian and Native Hawaiian, Native American, and Alaska Natives are less satisfied overall than other races.

**Exhibit 9.3. Mean Overall Satisfaction Scores, by Characteristic**

Characteristics of Parents		Average Score	Count
<b>Supported by Veteran</b>	Yes	4.28	601
	No	4.30	618
<b>Age</b>	64 and under	4.35	121
	65–79	4.28	586
	80 and over	4.30	530
<b>Gender</b>	Male	3.69	70
	Female	4.33	1,157
<b>Race</b>	White	4.40	706
	Black	4.14	473
	Asian	3.67	6
	Native Hawaiian, American Indian, or Alaska Native	3.91	12
	Other	4.42	24
<b>Education</b>	Less than high school	4.34	903
	High school or G.E.D.	4.20	200
	More than high school	4.01	113
<b>Living Arrangement</b>	Private residence	4.26	1,166
	Nursing home or assisted-living center	4.92	66
	Group quarters/dormitory/hotel	4.20	5

*Source: Survey of Parents' DIC Participants*

A more sophisticated statistical technique, regression analysis, was performed to corroborate the results in Exhibit 9.3. 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 overall satisfaction. Exhibit 9.4 shows regression results for overall satisfaction with the Parents' DIC program. The technical appendix to the regression analysis is included in Appendix A. Four attributes show statistical significance: age, race, gender, and education. We find that older parents report being less satisfied overall; White parents are more satisfied than parents overall; males report lower levels of satisfaction; and respondents with less than high school education have higher levels of satisfaction.

**Exhibit 9.4. Overall Satisfaction with the Parents' DIC Program**

<b>Factors</b>	<b>Impact</b>	<b>Significance Level</b>
<b>Age—Older parents</b>	Less satisfied	95%
<b>Race—White parents</b>	More satisfied	99%
<b>Gender—Male parents</b>	Less satisfied	99%
<b>Schooling—Parents with less than high school education</b>	More satisfied	95%

*Source: Study Team Analysis of Survey of Parents' DIC Participants*

## **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 parents 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.

Exhibit 9.5 indicates the relative importance of the detailed attributes to parents' overall satisfaction. "Mean satisfaction" indicates the mean satisfaction rating parents gave that attribute. Exhibit 9.6 combines the rankings of relative importance and satisfaction scores for each attribute and sorts them into four quadrants of a priority matrix. The quadrant areas are determined by the horizontal line (representing "Importance") and the vertical line (representing "Satisfaction"). The value for the horizontal line is 22.5 percent, and the value for the vertical line is 4.375, which is approximately the average overall satisfaction rating based on the five attributes.

The attributes that affect parents' overall satisfaction rating the most are the amount of the benefit and the counting of spouses' income. The attributes that contribute the least to overall satisfaction are the application process, VA staff, and the requirement of sending in information. The quadrant labeled "Key Drivers" contains attributes that rank high both in importance to parents and in the parents' stated satisfaction score. VA would have to keep the satisfaction results high for the attributes in this quadrant to maintain a high level of overall satisfaction. However, no attribute occurs in this quadrant.

The quadrant labeled "Critical Improvement Area" represents the greatest potential for improvement in parents' overall satisfaction. The amount of benefit and counting of spouses' income fall into this area. These attributes need to be addressed for parents' overall satisfaction score to increase significantly. The lower-right quadrant, labeled "Basics," contains the following attributes: application process, VA staff, and the requirement of sending in information. This quadrant contains the attributes that are of low importance for parents' overall satisfaction. These same attributes also have high satisfaction scores. This means that VA does not need to improve in these areas to increase parents' overall satisfaction.



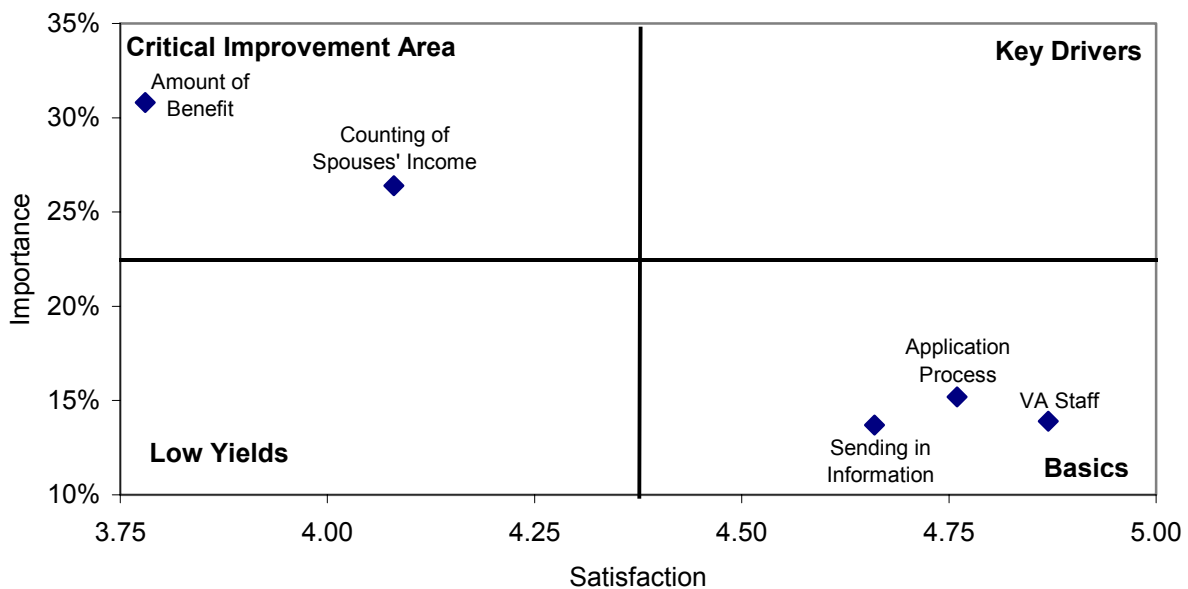
## CHAPTER 9. SATISFACTION

Exhibit 9.5. Importance of Program Attributes for Parents

Satisfaction	Importance	Mean Satisfaction
Amount of benefit	30.8%	3.78
Counting spouses' income	26.4%	4.08
Application process overall	15.2%	4.76
Sending in information	13.9%	4.66
VA staff	13.7%	4.87
Total/Overall	100%	4.41

Source: Survey of Parents' DIC Participants, Appendix C, Tables 78–81, 84, and Study Team Analysis

Exhibit 9.6. Rankings of Importance and Satisfaction for Parents



Source: Survey of Parents' DIC Participants and Study Team Analysis

## D. SUMMARY

Overall satisfaction for Parents' DIC is between somewhat satisfied and satisfied, 4.29 on a scale of 1 to 6. Most average scores are generally in this range. Highest satisfaction scores are as follows: VA staff (4.91), the application process overall (4.72), and sending in information (4.59). Treatment of unreimbursed medical expenses (4.33) and overall service experience (4.29) are scored as somewhat satisfied. Lowest satisfaction ratings are between somewhat dissatisfied and somewhat satisfied for the amount of benefits received (3.57) and counting the income of spouses (3.96). These numbers both

indicate a somewhat dissatisfied rating. All the scores, except for two, are above 4.0, which indicates some satisfaction.

In explaining respondent characteristics contributing to satisfaction and dissatisfaction, older parents and male parents are less satisfied; White parents and parents with lower education levels are more satisfied. The attributes that are most important in affecting parents' overall satisfaction rating are the amount of the benefit and the counting of spouse's income. Although customer satisfaction of parents with VA staff and the application process score high, they are not the major drivers of customer satisfaction. The attributes that contribute the least to overall satisfaction are the application process, VA staff, and the requirement of sending in information. To improve satisfaction, VA will have to increase the benefit amount and not count spousal income. VA's methods for processing the applications, staff interactions, and information requirements do not affect parent satisfaction; so VA does not need to improve these areas to increase satisfaction.



# CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

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The Parents' DIC program evaluation aims to determine whether the program meets its legislative intent, 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 VA and Congress to consider for improving program outcomes.

Based on our analysis of the legislation, the basic underlying assumption of this program is that if the veterans had lived, they would have supported their needy parents financially, particularly during the parents' old age, when they may have greater need.

The survey findings support Congress's assumption, described above. Almost half (48%) of the survey respondents report that the veteran provided financial support to them when he or she was alive. Since parents begin receiving DIC benefits on average at age 64, veterans are supporting about half of the Parents' DIC participants before the parents turn 65, indicating that financial need occurs before parents reach retirement age. Two-thirds (65%) of Parents' DIC participants are mothers widowed at about age 56, on average 22 years ago. The death of the father is a likely factor that contributes to the mother's need; a need that the veteran helped to meet while he or she was alive. The other half of deceased veterans, who did not support their parents, may not have done so because the parents were younger and were not needy when the veteran was alive. Since the average current age of parents is 79, according to VA records, and 77, according to survey responses, it is likely that those parents are primarily parents of Vietnam servicemembers who died while on active duty or who died of a service-connected disability after discharge. The average age of parents at the time of the veteran's death is about 40. Therefore, many servicemembers do not live long enough to support their parents. These data support Congress's assumption that as adult children, veterans are expected to and do contribute to supporting their parents' financial needs.

Congress did not intend for the Parents' DIC program to become an incentive for parents not to work. Based on the survey results, this program is not displacing work. Only 10 percent of the parents are under age 65 and can be expected to work. Parents under 65 years old report serious health problems that prevent them from working. This program is working as intended—parents who have health problems before their old age that prevent them from supporting themselves turn to their adult children for support. Older needy parents, likewise, also turn to their adult children. This program provides income that would otherwise be expected from the deceased veteran if he or she were alive.

The debates to establish the authorizing legislation and the reauthorizations of the legislation include the expectation that the Parents' DIC program will not be the sole source—or the major source—of income for parents. The survey results also support this expectation. Parents' DIC accounts for about a third of parents' income, with Social Security providing the largest proportion of that income.

The program outcome established by VA is to provide a measure of financial security for parents of wartime veterans who die during active duty or after service-connected disabilities. Based on the survey results, the program does provide a measure of financial security. It provides a third of the parents' income and is a source of income that can be relied on, as survey results indicate that most participants tend to receive the benefit continuously after their initial eligibility.

The program outcome that Congress established is to provide income to support a basic level of maintenance for parents of servicemembers who die during active duty and to parents of disabled veterans. While Congress indicates that the program provide “a basic level of maintenance,” it did not

## CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

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establish what that basic level of maintenance should be. Congressional debate indicates that the program should contribute to the support of parents of deceased veterans and supplement their other sources of income. Congress also established the income eligibility guidelines for the program to exceed the poverty line. That implies that Congress also expected to provide DIC benefits to needy parents whose incomes are low, not only to those whose incomes are at or below the poverty line. However, VA's administrative data show that even with the Parents' DIC benefit, most program participants are at or below the poverty line. There is a significant inconsistency between the intent of Congress to provide a basic level of maintenance, the income eligibility cutoff amount, and the actual income of Parents' DIC participants.

Another dilemma for the program is identifying which sources of income did Congress expect the Parents' DIC program to complement in providing basic maintenance. The other sources of income are neither defined in the legislation nor addressed in debates. VA's administrative records show that Social Security is the major source of income for Parents' DIC program participants; but even with Social Security benefits, most parents are at or below poverty. Some stakeholders argue that parents should be required to obtain other Federal welfare benefits to add to their resources. Is that consistent with Congressional intent? There would be no need for the Parents' DIC program if Congress intended for participants to obtain their income from welfare. By setting the income eligibility guidelines above the poverty line and by creating this program to recognize the loss of veterans in service to our country, Congress wanted the Parents' DIC program—instead of welfare—to provide for parents, and that the level of maintenance Congress intended is above the poverty line.

The following recommendations rely on the study team's interpretation of Congressional intent—that the program provides a level of income placing program participants at least at poverty line when counting nonwelfare income sources.

**Recommendation 1:** Given the study results showing that 79 percent of parents are at or below the poverty line, Congress should increase the DIC benefit amount. While legislation for the Parents' DIC program does not provide a particular income standard, certain considerations lead to this recommendation. One is that the parents receiving the DIC benefit are worse off financially than the elderly general population receiving government means-tested income support. Another is that the Parents' DIC program compares unfavorably to the Social Security Administration (SSA)'s Supplemental Security Income (SSI) program, which is intended as the program of last resort for needy Americans. The Parents' DIC benefit is less than SSI benefit, and parents eligible for the DIC program may not qualify for SSI benefit. The meager circumstances of the parents, documented in this report, must also be considered. The Parents' DIC benefit does not provide sufficient compensation for the loss of a son or daughter in military service.

The eligibility cutoff amount for the Parents' DIC benefit places parents at different percentages of the poverty line. Exhibit 10.1 summarizes the current eligibility cutoff amounts (Countable Family Income (CFI) limit, minimum benefit cutoff, and maximum benefit amounts) for parents as well as the percentages of the poverty line of the cutoff amounts for each status of recipient. For example, unmarried sole surviving parents with annual CFIs between \$6,538 and \$11,024 (74% and 124% of the poverty line, respectively) receive \$60 per year in Parents' DIC benefits. Unmarried sole surviving parents with annual CFIs below 74 percent of the poverty line receive Parents' DIC benefits equal to

## CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

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\$5,568 (63% of the poverty line) minus the decrement rate (\$.08) for every dollar of CFI above \$899 (see Chapter 6 for a detailed explanation of how benefit amounts are determined).<sup>1</sup>

Exhibits 10.2 and 10.3 contain our recommendation to revise eligibility cutoff amounts to place parents at either 100 percent or 125 percent of the poverty line.<sup>2</sup> Modified Parents' DIC benefit formulas underlie the revised eligibility cutoff amounts. To place parents to at least 100 percent of the poverty line, decrement rates are abandoned and the maximum benefit amount is increased and set equal to the amount for which the fixed \$60 annual benefit takes effect. For example, under this scenario, unmarried sole surviving parents with annual CFIs between \$8,860 and \$11,024 will receive \$60 per year in DIC benefits. Unmarried sole surviving parents with annual CFIs less than \$8,860 will receive DIC benefits equal to the difference between \$8,860 and their annual CFI. To place parents to at least 125 percent of the poverty line, the maximum benefit amount is increased and decrement rates and the amount at which a fixed \$60 benefit takes effect are abandoned. For example, unmarried sole surviving parents will receive DIC benefits equal to the difference between \$11,075 and their annual CFI. This benefit scheme most closely resembles how benefit amounts are determined for the veterans and spouse pension programs.

The study team simulated the effects on program costs of changing the eligibility cutoff amounts that place parents to at least 100 percent and 125 percent of the poverty line. These simulations are based on current parent participation. If participation increases, costs will increase correspondingly. Exhibit 10.4 shows the additional program costs for changes in the eligibility cutoffs. Changing the eligibility cutoff amounts to place parents to at least 100 percent of the poverty line will increase program costs by approximately \$24.45 million (from \$22.08 million to \$46.43 million). Changing the eligibility cutoff amounts to place parents to at least 125 percent of the poverty line will increase program costs by approximately \$46.43 million (from \$22.08 million to \$67.51 million).<sup>3</sup>

One noteworthy consequence of increasing benefits is to reduce eligibility for other Federal need-based assistance programs, such as Medicaid. Since most Parents' DIC program participants are elderly Medicare participants, they would not be adversely affected. However, the 10 percent of participants who are under age 65 may be adversely affected, as well as those over age 65 who do not qualify for Medicare. One consideration is for VA to offer VA health care benefits to those under age 65 or not qualified for Medicare. According to analysis performed for the VA Pension evaluation, (Chapter 8, Section E, Exhibit 8.25) the estimated cost of providing VA health care per individual under age 65 is as follows:

- ◆ Under age 45—\$2,346 per year
- ◆ Age 45 through 64—\$4,555 per year
- ◆ Over age 65—\$5,133 per year.

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<sup>1</sup> The percentage of poverty line figures are calculated assuming that parents do not live with dependents other than their spouses (if married). The responses of the Parents' DIC survey participants shows, however, that 17.6 percent of the respondents live with a family member other than their spouse.

<sup>2</sup> 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  $(1.25) * (8860 + (\text{family size} - 1) * 3080)$ .

<sup>3</sup> These simulations are done by assigning a VA benefit amount based on the revised eligibility cutoff amounts to survey respondents. The total VA benefits calculated from the survey are then multiplied by the ratio of program participants to survey respondents.

## CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

**Exhibit 10.1. Relationship Between Eligibility Cutoff Amounts and the Poverty Line for DIC Parents as of December 1, 2001**

Status	CFI Limit		Minimum CFI for \$60 Annual Benefit		Maximum Annual Benefit Amount	
	Dollar Amount	% of Poverty Line	Dollar Amount	% of Poverty Line	Dollar Amount	% of Poverty Line
Sole surviving parent—not remarried	\$11,024	124%	\$6,538	74%	\$5,568	63%
Sole surviving parent—remarried, living with spouse	\$14,817	124%	\$6,538	55%	\$5,568	47%
One of two surviving parents—not living with spouse	\$11,024	124%	\$4,963	56%	\$4,008	45%
One of two surviving parents—living with spouse or another parent	\$14,817	124%	\$5,725	48%	\$3,768	32%

Source: VA Web site and Study Team analysis

**Exhibit 10.2. Proposed Eligibility Cutoff Amounts as of December 1, 2001 to Bring DIC Participants to at Least 100% of the Poverty Line**

Status	CFI Limit	Proposed Minimum CFI for \$60 Annual Benefit/Maximum Benefit Amount
Sole surviving parent—not remarried	\$11,024	\$8,860
Sole surviving parent—remarried, living with spouse	\$14,817	\$11,940
One of two surviving parents—not living with spouse	\$11,024	\$8,860
One of two surviving parents—living with spouse or other parent	\$14,817	\$11,940

Source: Study Team analysis

## CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

**Exhibit 10.3. Proposed Eligibility Cutoff Amounts as of December 1, 2001 to Bring Parents to at Least 125% of the Poverty Line**

Status	Proposed CFI Limit/Maximum Benefit Amount
Sole surviving parent—not remarried	\$11,075
Sole surviving parent—remarried, living with spouse	\$14,925
One of two surviving parents—not living with spouse	\$11,075
One of two surviving parents—living with spouse or other parent	\$14,925

*Source: Study Team analysis and simulation*

**Exhibit 10.4. Estimated Annual Benefit Payments for Eligibility Cutoff Amounts of 100% and 125% of the Poverty Line**

Program Costs		
2002	100% of Poverty Line	125% of Poverty Line
\$22.08 million	\$46.53 million	\$67.51 million

*Source: Study Team analysis and simulation*

**Recommendation 2:** VA should improve the Parents' DIC application. We have identified a few specific areas where the application can be improved. A major area for review is where the information provided in the application and the Eligibility Verification Report (EVR) is not identical. Examples include what can be added to or deducted from total household income when determining eligibility, and qualification for aid and attendance benefits. This inconsistency may result in some applicants not receiving the benefit they are entitled to from the Parents' DIC program. In some cases, parents may decide not to apply for Parents' DIC benefits, assuming that their household income makes them ineligible for the program. Since qualification for aid and attendance is only requested on the initial application, those who develop conditions later cannot report this on the EVR. VA should provide all information required for determining eligibility accurately on the initial application, and the application and EVR should contain consistent information requests.

VA should also provide the fact sheets, rate tables, and examples to all the applicants. This information is only available on the Web and is not sent to the applicants who apply with a hard copy.



## CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

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VA should use cognitive testing to assess how well parents understand the current application and EVR, to identify areas for improvement, and confirm that improvements to the application and EVR are clearly understood by parents.

**Recommendation 3:** VA should improve its outreach efforts so parents who are entitled to the Parents' DIC benefit receive it.

The estimated 8 percent rate of participation in the Parents' DIC program indicates that it cannot meet its legislative intent because it serves too few eligibles. There are three barriers to participation in this program: 1) Parents are not aware of the program; 2) even if they are aware of the program, their age, physical condition, educational level, and health status contribute to general isolation, making it difficult for them to navigate the application process and ongoing eligibility requirements; and 3) anecdotal evidence from the evaluation suggests that low-income, elderly individuals are not proactive self-advocates. Rather, they are willing to "make do" and not seek assistance from the Government. According to one elderly veteran, as long as low-income elderly individuals have a "roof over their head and food to eat," they are not going to bother pursuing additional benefits.

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 process. We recommend that VA develop a better outreach program, targeting parents specifically for the Parents' DIC program, rather than bundling parent outreach with outreach for other programs. VA may need to review its community-based outreach programs, to assess how information about the Parents' DIC program is conveyed, and to determine whether the outreach appropriately targets elderly, low-income individuals, or their caregivers. VA may want VA Regional Offices to coordinate with local aging programs and local agencies that assist low-income elderly people to disseminate information about the program.

Another 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. 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.

Another suggestion is for VA to piggyback Parents' DIC information with correspondences already being sent through other Federal agencies to the low-income elderly population. All communications and announcements should be transmitted through a source that confirms their legitimacy—either directly from VA or through another Federal program, such as the SSA or the Internal Revenue Service (IRS). Focus group participants for the pension portion of the evaluation emphasized the necessity of Federal letterhead, logos, and/or insignia to convey legitimacy.

VA should coordinate with other Federal agencies that have responsibility to serve the low-income elderly, such as the U.S. Department of Health and Human Services (HHS), the U.S. Department of Agriculture (USDA), and the U.S. Department of Housing and Development (HUD). Given the findings of this study, Congress could establish an inter-agency 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 and Parents' DIC program participants.

The cost of implementing these recommendations includes a reallocation of VA's existing funds plus additional administrative funds to implement the procedures. If the outreach is effective, VA will have to

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increase staff to respond to inquiries, process applications, and provide benefits to additional eligible participants. Congress will have to appropriate additional funds to cover the cost of benefits paid to those currently not receiving them. It is not possible to estimate the cost for such efforts, because we do not know how effective the proposed recommendations will be.

We recommend that VA pilot-test procedures for increasing participation in a few locations to determine if they are cost-effective before proceeding on a national level. Such pilot tests would reveal which procedures work best and how many eligible participants will actually enter the program. This would provide 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 Parents' DIC program reaches more participants in Fiscal Year 2005 (FY2005). The projections are based on the served population and the estimated unserved population as shown in Chapter 3. The estimated amounts assume that the average benefit for those newly receiving benefits would be the same as for all unserved parents. The results are shown in Exhibit 10.5. For example, the total cost for the served population plus 25 percent participation of the unserved Parents' DIC population is \$55 million. The served population is the estimated total population and the unserved population is the estimated population in the United States.

Exhibit 10.6 shows the combined effect of increasing participation and increasing benefit amounts (by increasing the eligibility cutoff), assuming that the increase in the total benefits in 2005 as shown in Exhibit 10.5 would be the same as the increase in the estimated annual benefits for 2002 as shown in Exhibit 10.4. For example, the estimated total cost of benefits if 25 percent of the unserved parent population receives benefits and the payments are based on 100 percent of poverty is \$55 million times the ratio of 1) \$46.5 million to 2) \$22.0 million for a total of \$116 million. Note that neither Exhibit 10.4 nor Exhibit 10.6 includes an estimate of the increase in the number of participants that would result from increasing the income eligibility cutoff; nor does either exhibit include the increased administrative cost that VA would incur to serve additional pensioners.

**Exhibit 10.5. Projected Cost of Increased Participation of Unserved Eligible Parents' DIC Population, FY2005<sup>4</sup>**

Description	Numbers of Parents and Amounts of Benefits
<b>Total if Population Trends Remain the Same in FY2005</b>	
Number of Parents	7,000
Total Cost of Parents' DIC Benefits	\$16 Million
<b>Total if 25% of Unserved Population Also Receive Benefits in FY2005</b>	
Number of Parents	31,000
Total Cost of Parents' DIC Benefits	\$55 Million
<b>Total if 50% of Unserved Population Also Receive Benefit in FY2005</b>	
Number of Parents	56,000
Total Cost of Parents' DIC Benefits	\$93 Million

<sup>4</sup> Rounded to nearest thousand and million

## CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

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**Exhibit 10.6. Projected Cost of Both Increased Participation of Unserved Eligible Parents' DIC Population and Increased Income Eligibility, FY2005<sup>5</sup>**

<b>Description</b>	<b>Numbers of Parents and Amounts of Benefits</b>
<b>Total Cost if 25% of Unserved Parents Also Receive Benefits in FY2005</b>	<b>\$55 Million</b>
<b>Total Benefit Cost if 25% of Unserved Population Also Receive Benefits in FY2005 and Income Eligibility Cutoffs Are Increased to:</b>	
100% of Poverty	\$116 Million
125% of Poverty	\$168 Million
<b>Total Benefit Cost if 50% of Unserved Parents Also Receive Benefits in FY2005</b>	<b>\$93 Million</b>
<b>Total Benefit Cost if 50% of Unserved Population Also Receive Benefits in FY2005 and Income Eligibility Cutoffs Are Increased to:</b>	
100% of Poverty	\$197 Million
125% of Poverty	\$286 Million

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<sup>5</sup> Rounded to nearest thousand and million

## CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

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**Recommendation 4:** VA should make parents aware that they can submit medical expenses throughout the year instead of its current policy of asking needy parents to accumulate unreimbursed medical expenses at the end of the year. The income level of participating parents is too low to expect them to carry the costs of medical expenses until the end of the year. VA should encourage parents to submit unreimbursed medical expense (UME) claims as expenses are incurred. The effect of this recommendation is that VA will have to spend more resources to process parents' 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 cannot reliably predict how many individual claims will be made; nor can we predict how many parents will submit additional claims. Our best guess is that, at a minimum, VA would quadruple its UME claims processing.