

# State Veterans Homes

State veterans homes fill an important need for veterans with low income and veterans who desire to spend their last years with "comrades" from former active-duty. The predominant service offered is nursing home care. VA nursing homes must be licensed for their particular state and conform to skilled or intermediate nursing services offered in private sector nursing homes in that state. State homes may also offer assisted living or domiciliary care which is a form of supported independent living.

Every state has at least one veterans home and some states like Oklahoma have six or seven of them. There is great demand for the services of these homes but lack of federal and state funding has created a backlog of well over 130 homes that are waiting to be built. We will discuss this problem in the section entitled "Challenges Facing the Construction of New Homes".

Unlike private sector nursing homes where the family can walk in the front door and possibly that same day make arrangements for a bed for their loved one, state veterans homes have an application process that could take a number of weeks or months. Many state homes have waiting lists especially for their Alzheimer's long term care units.

No facilities are entirely free to any veteran with an income. The veteran must pay his or her share of the cost. In some states the veterans contribution rates are set and if there's not enough income the family may have to make up the difference. Federal legislation, effective 2007, also allows the federal government to substantially subsidize the cost of veterans with service-connected disabilities in state veterans homes.

## The Appeal of Living in a State Veterans Home

We believe most veterans or their families seek out residency in a state veterans nursing home because they believe this service is one more VA entitlement that should be available to them.

But there is also a similar entitlement available to anyone in most private sector nursing homes -- facilities that may be geographically closer to the family than the nearest veterans home. This is Medicaid. Veterans seeking long term care from VA programs generally don't have the funds for private pay in a nursing home; however, Medicaid will also cover these same people in a private sector Medicaid certified facility. Most families who are seeking help for their loved ones, who are veterans, generally look to VA first before considering Medicaid. Or they are simply not aware of Medicaid. In many cases, Medicaid may be the better choice.

Aside from seeking long term care because of an expectation of entitlement are there any other reasons that veterans would prefer a State home? We ask this question of ourselves because we have noticed that in some states veterans homes are in distant rural areas. The fact that some of these homes are hundreds of miles from urban areas where the majority of veterans would tend to live, made us wonder why some veterans would move long distances to reside in these facilities.

To answer this question we contacted a number of rural state veterans homes on the phone and asked them why a veteran or his or her family would seek out their services as opposed to seeking services in a closer non-veterans facility under Medicaid. Almost unanimously the answer we got was that some veterans like the idea of sharing their living arrangement with other veterans. The facilities almost always referred to this as "camaraderie" -- a band of brotherhood.

Statistically, private sector nursing homes are mostly populated by older women who are generally in poor health. Some men may not feel comfortable in an environment where the activities and the social atmosphere are centered on women. In contrast, veterans homes are almost exclusively populated by men. In addition, based on our observation, we suspect the population of state homes is younger and healthier than that of private sector facilities.

These demographics would suggest that activities and the social atmosphere revolve around the needs of men not women. A younger, healthier population would also suggest veterans homes would offer more opportunity in the form of transportation or scheduled outings for the residents to be out in the community. One veterans home reported to us that they regularly scheduled fishing trips and outings to sporting events for their residents. These would be unheard-of activities for the typical private nursing home.

The second most common reason reported to us why veterans seek out state homes is for financial reasons. In many states the cost of the home is subsidized for veterans who meet an income test. The vet's income is considered sufficient to cover the cost. These veterans may own a home or other assets that they wish to protect from Medicaid and leave to their family. The state veterans home will allow them to give these assets to the family without penalty. Medicaid would require a spend down of those assets or impose a penalty for gifting.

Another reason related to finances may be there are no available Medicaid beds in the veteran's area. The veteran may be paying out of pocket for a nursing facility but have his name on a waiting list for a State Home where the out-of-pocket cost would be much less. When his name comes up he will move to the State home.

A financial incentive for the veteran is that all state veterans homes will apply for the pension benefit for those residents who are eligible. Federal law prohibits VA from paying any more than \$90 a month to single veterans who are eligible for Medicaid in a non-veteran nursing home. State veterans homes are exempt from this rule and the single veteran can keep the entire pension amount although most of it will have to apply to the cost of care. For those state veterans homes that also accept Medicaid, pension represents additional disposable income.

Medicaid is not allowed to apply the aid and attendance allowance from pension towards the cost of care but must let the veteran retain that money. The fortunate veteran who has this additional \$300-\$500 a month can use this money for additional personal needs. One veterans home that has this dual arrangement with Medicaid and VA pension reports that the veterans receiving this benefit, pool the money with other veterans in the facility and it helps pay for dinner tickets, theater tickets, expensive outings and other amenities that would not normally be available to private sector nursing home residents.

## Per Diem Rates

The Veterans Administration pays the state veterans homes an annually adjusted rate per day for each veteran in the home. This is called the per diem. The current nursing per diem amount is \$71.42 and for domiciliary care it is \$33.01. Adult Day Health Care – up to one-half of the cost of care -- cannot exceed \$64.13 per day. The goal of state veterans homes is to get Congress to increase the per diem rate for nursing care to 75% of the state private nursing rates. In most states the per diem falls well short of this goal.

The per diem program and construction subsidies mean that State veterans homes can charge less money for their services than private facilities. Some states have a set rate, as an example \$1,400 a month, and they may be relying on the pension benefit with aid and attendance plus the per diem to cover their actual costs. Other states may charge a percentage of the veterans income but be relying on other subsidies to cover the rest of the cost.

Most of the states with income-determined rates are selective about the veterans they accept. These states may rely on a variety of private and public sources to help fund the cost of care.

### Example of Subsidy from the VA and the State.

Actual per veteran cost of operation	\$6,000 a month
Veteran's out-of-pocket cost	\$1,400 a month
Per Diem to subsidize the veteran's cost	\$1,928 a month
And possible state or other subsidies	\$1,000 a month
And possible VA aid and attendance benefit	<u>\$1,520 a month</u>
Available to pay for care from all sources	\$6,048 a month

States without set rate subsidies may charge 50% to 70% of the rate of private facilities based on private or semi private room occupancy and if the veteran does not have enough income, these homes accept Medicaid or Medicare to make up the difference. In these states the veterans homes are Medicaid and possibly Medicare certified.

## Services Available

Some state facilities offer assisted living or domiciliary care in addition to nursing care. Some states even build facilities devoted entirely for domiciliary. According to the Veterans Administration the definition of domiciliary care is as follows: "To provide the least intensive level of VA inpatient care for ambulatory veterans disabled by age or illness who are not in need of more acute hospitalization and who do not need the skilled nursing services provided in nursing homes. To rehabilitate the veteran in anticipation of his/her return to the community in a self-sustaining and independent or semi-independent living situation, or to assist the veteran to reach his/her optimal level of functioning in a protective environment."

A domiciliary is a living arrangement similar to assisted living without substantial assistance but is not intended as a permanent residence. Domiciliary rooms in veterans medical centers are

designed around this concept and are used for rehabilitation recovery from surgery or accident, alcohol abuse, drug abuse, mental illness or depression.

The domiciliary concept does not work well in a state veterans home setting and in that context domiciliary is simply another name for assisted living without the assistance. This represents a form of independent retirement living with a little more support where the veteran can stay as long as he or she needs to. As far as state veterans homes go you should think of domiciliary as a substitute for supported independent retirement living.

Many state veterans facilities have set aside a wing for Alzheimer's patients. In some states this is the most popular service sought by veterans or their families and waiting lists could require a number of years before a bed opens up. A small number of facilities offer adult day care.

### **Eligibility and Application Requirements for State Veterans Homes**

From state to state, facilities vary in their rules for eligible veterans. And even in the same state it is common, where there is more than one state home, for some homes to have very stringent eligibility rules and others to be more lenient. These differing rules are probably based on the demand for care and the available beds in that particular geographic area.

Some homes require the veteran to be totally disabled and unable to earn an income. Some evaluate on the basis of medical need or age. Some evaluate entirely on income -- meaning applicants above a certain level will not be accepted. Some accept only former active-duty veterans, while others accept all who were in the military whether active duty or reserve. Still others accept only veterans who served during a period of war. Some homes accept the spouses or surviving spouses of veterans and some will accept the parents of veterans but restrict that to the parents of veterans who died while in service (Goldstar parents).

Federal regulations allow that 25% of the bed occupants at any one time may be veteran-related family members, i.e., spouses, surviving spouses, and/or gold star parents who are not entitled to payment of VA aid. When a State Home accepts grant assistance for a construction project, 75% of the bed occupants at the facility must be veterans.

Domicile residency requirements vary from state to state. The most stringent seems to be a three-year prior residency in the state whereas other homes may only require 90 days of residency.

All states require an application process to get into a home. Typically a committee or board will approve or disapprove each application. Many states have waiting lists for available beds.

# Veterans Health Care System Long Term Care

## The Best Health Care System in America

It comes as a surprise to some people who had experience with VA health care during the 1970s and 1980s that this same system is now considered the best medical care in the United States. To illustrate this we quote below articles and comments from the several sources.

BusinessWeek, July 17, 2006 "The Best Medical Care in the Nation  
How Veterans Affairs transformed itself -- and what it means for the rest of us"

". . . . Roemer seems to have stepped through the looking glass into an alternative universe, one where a nationwide health system that is run and financed by the federal government provides the best medical care in America. But it's true -- if you want to be sure of top-notch care, join the military."

"The 154 hospitals and 875 clinics run by the Veterans Affairs Dept. have been ranked best-in-class by a number of independent groups on a broad range of measures, from chronic care to heart disease treatment to percentage of members who receive flu shots. It offers all the same services, and sometimes more, than private sector providers."

"To much of the public, though, the VA's image is hobbled by its inglorious past. For decades the VA was the health-care system of last resort. The movies Coming Home (1978), Born on the Fourth of July (1989), and Article 99 (1992) immortalized VA hospitals as festering sinkholes of substandard care. The filmmakers didn't exaggerate. In an infamous incident in 1992, the bodies of two patients were found on the grounds of a VA hospital in Virginia months after they had gone missing. The huge system had deteriorated so badly by the early '90s that Congress considered disbanding it."

"Instead, the VA was reinvented in every way possible. In the mid-1990s, Dr. Kenneth W. Kizer, then the VA's Health Under Secretary, installed the most extensive electronic medical-records system in the U.S. Kizer also decentralized decision-making, closed underused hospitals, reallocated resources, and most critically, instituted a culture of accountability and quality measurements. "Our whole motivation was to make the system work for the patient," says Kizer, now director of the National Quality Forum, a nonprofit dedicated to improving health care. "We did a top-to-bottom makeover with that goal always in mind." . . . .

Robert Bazell, Chief science and health correspondent, NBC News Updated: 6:33 p.m. MT  
March 15, 2006

"We report a story tonight that is going to turn a lot of heads. The Veterans Administration Health Care System, once famously known for horrendous medical care, now offers what many consider the best health care in the nation. I am sure we will hear from many of you who have had difficult times with care at the VA. That is understandable, because the improvement in the VA has occurred relatively recently and

inevitably many people will be dissatisfied with their treatment at the hands of any medical provider."

"But here is the evidence. In a study two years ago a group of researchers from the RAND Corporation and several medical Centers found that 67 percent of patients in the VA system received "appropriate care" as defined by expert panels on medical practice. Two thirds sounds short of the mark, but in the current issue of the New England Journal of Medicine the same researchers report on a survey of the country that finds only 55 percent of Americans in general are getting appropriate health care. And that number does not vary much with the patients' level of education or income."

"In addition, a telephone survey last January from the University of Michigan found that VA patients rated their satisfaction with care at 83 out of a possible 100 points for inpatient care and 80 out of 100 for outpatient care. By comparison, the same survey found rates of 73 and 75 in the general population. Another indicator comes from the American Legion, which has been surveying its members and finding similar high levels of patient satisfaction."

**"Indeed, the biggest complaint about the VA system these days is from people who want in. The VA provides unlimited care for service-related injuries and illnesses. But for other problems veterans must fall below a defined income level. As a result, patients at the VA tend to be poorer and sicker than the rest of the population, which makes the improvements all the more remarkable."**

"What happened? The change began with Dr. Kenneth Kizer, who became undersecretary of health for Veterans Affairs in the Clinton administration and has continued in that role during the Bush administration. The VA changed its emphasis from hospital to outpatient care where possible. It also set up genuine prevention programs. As a result, people with conditions like diabetes get the simple measures that can save enormous misery and thousands of dollars in treatment costs. Every patient is assigned a personal physician and the mandate from headquarters is to treat veterans with the respect and dignity they deserve."

"The other big change was a massive shift to electronic medical records. At any VA facility in the country, a doctor or other health professional can access the records of any patient in the system, including lab tests, X-rays and chart notes that can be read easily. The electronic system challenges health providers who seem to be making mistakes, and it allows for a massive collection of data so the VA can know which treatments work and which don't."

"A big advantage for the VA is electronic medical records. The VA has the largest and one of the most modern systems in the world. When a VA patient visits any facility in the country, the records are there. Indeed, after Hurricane Katrina, many VA patients received uninterrupted care even as they were forced to move."

"All of the information I need about any of my patients, including their X-rays and their tests, are always available, always accurate, always there in a legible form," says Gauge."

"The electronic records also allow the VA to track its performance — to quickly learn what works and what doesn't — providing what many say could be a model for health care nationwide."

A quote from Families USA

"A report released Tuesday (December 2006) by the consumer group Families USA says Medicare's prices for seniors' most frequently used drugs are about 58% higher than those provided by the Department of Veterans Affairs."

Percent distribution, by reasons, of veterans who never used VA health care

	Total
Uses other sources for health care	31.8
Did not need any care	23.7
Not aware of the VA health care benefits	21.6
Did not believe self entitled or eligible for health care benefits	20.4
VA care is inconvenient	13.3
Other	9.5
Did not need or want assistance from the VA	8.0
Never considered getting any health care from the VA	5.1
Didn't think VA health care would be as good as that available elsewhere	3.1
Applying for health care benefits too much trouble or red tape	3.0
Did not know how to apply for health care benefits	2.3
<b>Number of veterans†</b>	<b>16,396,700</b>

† Estimate of number of veterans is rounded to the nearest hundred; percent estimates will not sum to more than 100 because veterans could indicate more than one reason.

NOTE: This table only includes responses of those who indicated they had never used VA health care.

**Why the VA Health Care System Works so Well**

Actually it's not that VA is such a marvelous system since any large-scale organization employing over 200,000 people is bound to have its inefficiencies. VA simply comes closer to the mark of providing excellent care than the rest of the health-care providers in the country. One big reason is the veteran system does not rely on insurance reimbursements so money saved through efficient operation remains in the system and does not transfer to insurance companies. This type of operational structure encourages innovation and change.

However, being a single-payer health plan alone would not necessarily result in a better system. The outstanding reawakening of VA health care is largely a result of the vision and leadership of Doctor Kizer and his successor. Here are some of the operational advantages that make VA health care so successful.

As a government entity, the agency cannot be sued by patients who have been mistreated. This obviously saves the time and money involved in lawsuits. However, in order to be responsive to medical errors, doctor Kizer instituted the "Sorry Now" program that holds staff accountable for their actions and provides damage awards to patients.

Veterans who are part of the system have the opportunity to remain with the system throughout their lives. This allows VA to practice preventative medicine by scheduling regular checkups, performing regular lab tests and intervening before a medical condition becomes too advanced. The provider/contractor insurance reimbursement model used in the United States typically does not allow for this type of preventative medicine.

An electronic records system provides the opportunity to practice outcome based medicine which has become the Holy Grail of all health-care systems. The computerized records allow tracking outcomes for various medical conditions and finding those that work best. This weeds out expensive procedures that are no more effective than other less expensive ones. Prescriptions for medications are also tracked on the computer and potential drug interactions are avoided. According to studies, VA has the lowest drug interaction incidents and deaths in the country

The electronic records also prevent duplication of expensive medical tests. Some surveys indicate that, 60% of the time, private sector providers order duplicates or triplicates of the same test. This is because paper records make it difficult or almost impossible to track tests between different care providers. Even in the same hospital, estimates are that one out of five tests is unnecessarily reordered.

Finally, electronic records help the veterans health system to maintain a more cost effective and smaller drug formulary. Fewer categories of drugs allow VA to negotiate with drug companies for larger quantities at a lower price. If an existing, less expensive drug is proven through electronic records computer data to be just as effective as newer more expensive medicines, then obviously the older medicine will be favored.

Proponents of the new Medicare drug plans criticize VA for limiting drug choice to only about 1,300 medications where some Medicare plans allow 4,500 different drugs or more. VA would probably argue that such a wide choice is unnecessary and that many newer more expensive drugs are simply analogues of less expensive versions that have been around for a long time.

Cost of overhead and administration is another issue that makes VA a better system. Our country's private insurance model results in insurers eating up a great deal of their premium income in unproductive overhead costs. It is estimated that private insurers spend anywhere from 20% to 30% of their premium income on advertising, agent commissions, insurance administrative oversight costs, expensive claims and records tracking systems, taxes, profit, and dividends for shareholders. VA has none of these additional cost burdens except for administrative costs associated with maintaining the system.

There is also evidence that the morale of employees in VA hospitals and outpatient clinics is especially high because of the pride those employees take in providing quality care. Motivated employees can be a major factor in providing care more effectively and more efficiently thus saving money.



## What is Veterans Health Care?

The Veterans Health Administration is the largest single provider of medical care in the United States. Its 22 regions with 154 hospitals and their associated 875 outpatient clinics offer the following services.

- ◆ Hospital, outpatient medical, dental, pharmacy and prosthetic services
- ◆ Domiciliary, nursing home, and community-based residential care
- ◆ Sexual trauma counseling
- ◆ Specialized health care for women veterans
- ◆ Health and rehabilitation programs for homeless veterans
- ◆ Readjustment counseling
- ◆ Alcohol and drug dependency treatment
- ◆ Medical evaluation for disorders associated with military service in the Gulf War, or Treatment for exposure to Agent Orange, radiation, and other environmental hazards
- ◆ HISA grants
- ◆ Other special benefits

An example of one of VA's 22 regions is Region 19. -- Geographically one of the largest in the system. Headquartered in Denver this region covers the states of Montana, Wyoming, Utah, Colorado and part of Nevada. Region 19 includes three health-care system hospitals and three satellite hospitals. There are also 33 outpatient clinics in urban centers scattered throughout the five states and 7 Vet Centers in urban areas that provide special services for veterans who served in combat.

The six hospitals in Region 19 offer a wide range of medical specialties and procedures and it is unlikely that any patient would have to be referred to the private care community for any services not offered by these hospitals. But if specialized services are not offered in the region, VA hospitals, region to region, share responsibilities for very specialized treatment and patients needing these specialties not offered in their region are referred to other VA facilities that do offer the care.

Hospitals in the VA system are typically associated with a local medical College where feasible. By acting as teaching hospitals the VA system has access to some of the best doctors and cutting edge medical treatments. In region 19, the Denver Medical Center is affiliated with the medical school, pharmacy, and nursing schools of the University of Colorado Health Sciences Center. The Fort Harrison facility near Helena, Montana is affiliated with nursing schools, pharmacy schools and physician-assistant schools in over 30 universities in the four adjoining states. The Salt Lake City Regional Medical Center is affiliated with the University of Utah Medical School which is located less than a mile away.

One of the disadvantages, in the past, of joining the health system was the difficulty of getting to a regional medical center for treatment. With the installation of outpatient clinics within easy driving distance for health-care beneficiaries, this challenge has become less of a problem in the past few years. The challenge still remains that major hospitalization, surgery and other specialized treatment must be obtained at a regional hospital. In the case of region 19 this could involve driving distances up to 600 miles one way to obtain the appropriate care.

VA is accommodating to certain low income patients who must drive long distances and the facilities offer, at no charge or reasonable charge, "hoptel" rooms in the hospital or nearby as an alternative to staying in a motel or hotel. Low income patients are also reimbursed at \$.11 per mile for travel to the nearest VA health care facility that can provide their needed care.

Other services are also available to certain qualifying veterans who may receive dental care, vision care and hearing aids. In addition, Vet Centers provide special counseling for active-duty veterans who served in combat zones. VA is also the most experienced healthcare provider in the country in services for rehabilitating patients with missing limbs, with burn injuries or with other complications due to combat injuries.

Regional VA hospitals often include associated nursing facilities or domiciliary rooms. They will also contract for home health care and hospice services if needed. For those hospitals that don't have nursing homes or domiciliary, contracts for these services are maintained with facilities in the local community.

Emergency Care in Non-VA facilities is provided as a safety net for veterans under specific conditions. If the non-VA emergency care is for a service-connected condition or, if the veteran has been enrolled with health services at least 24 months and has no other health care coverage then emergency care is covered. Also, it must be determined that VA health care facilities were not feasibly available; that a delay in medical attention would have endangered life or health, and that the veteran remains personally liable for the cost of the services in case of a dispute.

## **Outpatient Pharmacy Services**

VA provides free outpatient pharmacy services to:

1. Veterans with a service-connected disability of 50 percent or more.
2. Veterans receiving medication for service-connected conditions.
3. Veterans whose annual income does not exceed the maximum annual rate of the VA Pension.
4. Veterans enrolled in priority group 6 who receive medication for service-connected conditions.
5. Veterans receiving medication for conditions related to sexual trauma while serving on active duty.
6. Certain veterans receiving medication for treatment of cancer of the head or neck.
7. Veterans receiving medication for a VA-approved research project.
8. Former prisoners of war.

Other veterans will be charged a co-pay of \$8 for each 30-day or less supply of medication. For veterans enrolled in Priority Groups 2 through 6, the maximum co-pay amount for calendar year 2008 is \$960.

Co-pays apply to prescription and over-the-counter medications, such as aspirin, cough syrup or vitamins, dispensed by a VA pharmacy. However, veterans may prefer to purchase over-the-

counter drugs, such as aspirin or vitamins, at a local pharmacy rather than making the co-pay. Co-pays are not charged for medications injected during the course of treatment or for medical supplies, such as syringes or alcohol wipes.

Veterans receiving pension can also have their prescriptions from doctors in the private sector provided by a VA pharmacy for free or with co-pay depending on their income.

A face-to-face interview with a pharmacy specialist must be conducted with any new prescription. This is part of the process that helps VA control unnecessary drug reactions or interactions with other drugs. Subsequent refills can be ordered on the phone and will be sent through the mail or picked up in person.

## **Veterans Health Administration Long Term Care Benefits**

The following was taken from the Department of Veterans Affairs fact sheet dated January 2005 and distributed by the office of public affairs media relations

### *VA Long-Term Care*

The Department of Veterans Affairs (VA) offers a spectrum of geriatric and extended care services to veterans enrolled in its health care system. More than 90 percent of VA's medical centers provide home- and community-based outpatient long-term care programs. This patient-focused approach supports the wishes of most patients to live at home in their own communities for as long as possible. In addition, nearly 65,000 veterans will receive inpatient long-term care this year through programs of VA or state veterans homes.

### *Non-Institutional Care*

Veterans can receive home-based primary care, contract home health care, adult day health care, homemaker and home health aide services, home respite care, home hospice care and community residential care. In fiscal year 2003, 50 percent of VA's total extended care patient population received care in non-institutional settings, including:

### *Home-Based Primary Care*

This program (formerly Hospital Based Home Care) began in 1970 and provides long-term primary medical care to chronically ill veterans in their own homes under the coordinated care of an interdisciplinary treatment team. This program has led to guidelines for medical education in home care, use of emerging technology in home care and improved care for veterans with dementia and their families who support them. In 2003, home-based primary care programs were located in 76 VA medical centers.

### *Contract Home Health Care*

Professional home care services, mostly nursing services, are purchased from private-sector providers at every VA medical center. The program is commonly called "fee basis" home care.

### *Adult Day Health Care (ADHC)*

Adult Day Health Care programs provide health maintenance and rehabilitative services to veterans in a group setting during daytime hours. VA introduced this program in 1985. In 2004, VA operated 21 programs directly and provided contract ADHC services at 112 VA medical centers. Two state homes have received recognition from VA to provide ADHC, which has recently been authorized under the State Home Per Diem Program.

### *Homemaker and Home Health Aide (H/HHA)*

VA began a program in 1993 of health-related services for service-connected veterans needing nursing home care. These services are provided in the community by public and private agencies under a system of case management provided directly by VA staff. VA purchased H/HHA services at 122 medical centers in 2004.

### *Community Residential Care*

The community residential care program provides room, board, limited personal care and supervision to veterans who do not require hospital or nursing home care but are not able to live independently because of medical or psychiatric conditions, and who have no family to provide care. The veteran pays for the cost of this living arrangement. VA's contribution is limited to the cost of administration and clinical services, which include inspection of the home and periodic visits to the veteran by VA health care professionals. Medical care is provided to the veteran primarily on an outpatient basis at VA facilities. Primarily focused on psychiatric patients in the past, this program will be increasingly focused on older veterans with multiple chronic illnesses that can be managed in the home under proper care and supervision.

### *Respite Care*

Respite care temporarily relieves the spouse or other caregiver from the burden of caring for a chronically ill or disabled veteran at home. In the past, respite care admission was limited to an institutional setting, typically a VA nursing home. The Veterans Millennium Health Care and Benefits Act expanded respite care to home and other community settings, and home respite care was provided at 15 VA medical centers in fiscal year 2003. Currently, respite care programs are operating in 136 VA medical centers, with each program typically providing care to approximately five veterans on any given day. Respite care is usually limited to 30 days per year.

### *Home Hospice Care*

Home hospice care provides comfort-oriented and supportive services in the home for persons in the advanced stages of incurable disease. The goal is to achieve the best possible quality of life through relief of suffering, control of symptoms, and restoration or maintenance of functional capacity. Services are provided by an interdisciplinary team of health care providers and volunteers. Bereavement care is available to the family following the death of the patient. Hospice services are available 24 hours a day, seven days a week. VA provided home hospice care at 73 medical centers in fiscal year 2003, the first year the service was offered.

### *Domiciliary Care*

Domiciliary care is a residential rehabilitation program that provides short-term rehabilitation and long-term health maintenance to veterans who require minimal medical

care as they recover from medical, psychiatric or psychosocial problems. Most domiciliary patients return to the community after a period of rehabilitation.

Domiciliary care is provided by VA and state homes. VA currently operates 43 facilities. State homes operate 49 domiciliaries in 33 states. VA also provides a number of psychiatric residential rehabilitation programs, including ones for veterans coping with post-traumatic stress disorder and substance abuse, and compensated work therapy or transitional residences for homeless chronically mentally ill veterans and veterans recovering from substance abuse.

#### *Telehealth*

For most of VA's non-institutional care, telehealth communication technology can play a major role in coordinating veterans' total care with the goal of maintaining independence. Telehealth offers the possibility of treating chronic illnesses cost-effectively while contributing to the patient satisfaction generally found with care available at home.

#### *Geriatric Evaluation and Management (GEM)*

Older veterans with multiple medical, functional or psychosocial problems and those with particular geriatric problems receive assessment and treatment from an interdisciplinary team of VA health professionals. GEM services can be found on inpatient units, in outpatient clinics and in geriatric primary care clinics. In 2004, there were 57 inpatient GEM programs and more than 195,000 visits to GEM and geriatric primary care clinics.

#### *Geriatric Research, Education and Clinical Centers (GRECC)*

These centers increase the basic knowledge of aging for health care providers and improve the quality of care through the development of improved models of clinical services. Each GRECC has an identified focus of research in the basic biomedical, clinical and health services areas, such as the geriatric evaluation and management program. Medical and associated health students and staff in geriatrics and gerontology are trained at these centers. Begun in 1975, there are now 21 GRECCs in all but two of VA's health care networks.

#### *Nursing Home Care*

VA's nursing home programs include VA-operated nursing home care units, contract community nursing homes and state homes. VA contracts with approximately 2,500 community nursing homes. The state home program is growing and currently encompasses 114 nursing homes in 47 states and Puerto Rico. In fiscal year 2003, approximately 70 percent of VA's institutional nursing home care occurred in contract community and state home nursing homes.

Nursing home care units are located at VA hospitals where they are supported by an array of clinical specialties. The community nursing home program has the advantage of being offered in many local communities where veterans can receive care near their homes and families. VA contracts for the care of veterans in community nursing homes approved by VA. The state home program is based on a joint cost-sharing agreement between VA, the veteran and the state.

### *Who is Eligible for Nursing Home Care?*

- ◆ Any veteran who has a service-connected disability rating of 70 percent or more;
- ◆ A veteran who is rated 60 percent service-connected and is unemployable or has an official rating of "permanent and total disabled;"
- ◆ A veteran with combined disability ratings of 70 percent or more;
- ◆ A veteran whose service-connected disability is clinically determined to require nursing home care;
- ◆ Nonservice-connected veterans and those officially referred to as "zero percent, noncompensable, service-connected" veterans who require nursing home care for any nonservice-connected disability and who meet income and asset criteria; or
- ◆ If space and resources are available, other veterans on a case-by-case basis with priority given to service-connected veterans and those who need care for post-acute rehabilitation, respite, hospice, geriatric evaluation and management, or spinal cord injury.

### *HISA Grants*

A local Regional Medical Center can pay veterans a grant to allow for home improvement and structural alterations -- HISA grants. These are necessary alterations in order to accommodate disability in the home. As a general rule these grants are typically provided to veterans who are receiving VA health care and who are service-connected disabled. Certain service-connected disabled veterans can receive a lifetime benefit of \$4,200 for home improvement projects to aid with disability.

A clause in the eligibility statutes opens the door for veterans who are on Medicaid or receiving pension with aid and attendance or housebound ratings to also receive these grants. Also very low income -- means tested veterans -- may also receive the grant. For this class of veterans the grant is a lifetime payment of \$1,200.

Although they are reluctant to provide these grants to veterans who are not in the health-care system, the medical center HISA committee will do so if adequate documentation is provided to justify the grant.

### *Millennium Act and VA's Efforts to Increase Long-Term Care Capacity*

Public Law 106-117, the Veterans Millennium Health Care and Benefits Act, enacted in November 1999, requires VA to provide extended care services in its facilities, including nursing home care, domiciliary, home-based primary care and adult day health care, with the goal of providing as much care as in 1998.

The budget for VA long-term care grew by more than \$850 million between fiscal year 1998 and fiscal year 2003, and the number of full-time employees increased in nursing home care units and outpatient programs.

## **Enrolling in the Veterans Health Care System**

Those seeking a VA benefit for the first time must submit a copy of their service discharge form (DD-214, DD-215, or for WWII veterans, a WD form), which documents service dates and type of discharge. The veteran's service discharge form should be kept in a safe location accessible to the veteran and next of kin or designated representative.

For most veterans, entry into the VA health care system begins by applying for enrollment. Application is submitted through VA Form 10-10EZ, Application for Health Benefits, which may be obtained from any VA health care facility or regional benefits office, or by calling 1-877-222-VEETS (8387). Once enrolled, veterans can receive services at VA facilities anywhere in the country.

Veterans who are enrolled for VA health care are afforded privacy rights under federal law. VA's Notice of Privacy Practices is available at the VA health care Web site.

During enrollment, veterans are assigned to one of the priority groups VA uses to balance demand with resources. Changes in available resources may reduce the number of priority groups VA can enroll. If this occurs, VA will publicize the changes and notify affected enrollees. Veterans will be enrolled to the extent Congressional appropriations allow. If appropriations are limited, enrollment will occur based on the following priorities: (Please note that lower priority numbers generally mean no co-pays for medical services i.e. services are free)

*Group 1:* Veterans with service-connected disabilities rated 50 percent or more and/or veterans determined by VA to be unemployable due to service-connected conditions.

*Group 2:* Veterans with service-connected disabilities rated 30 or 40 percent.

*Group 3:* Veterans with service-connected disabilities rated 10 and 20 percent, veterans who are former Prisoners of War (POW) or were awarded a Purple Heart, veterans awarded special eligibility for disabilities incurred in treatment or participation in a VA Vocational Rehabilitation program, and veterans whose discharge was for a disability incurred or aggravated in the line of duty.

*Group 4:* Veterans receiving aid and attendance or housebound benefits and/or veterans determined by VA to be catastrophically disabled. Some veterans in this group may be responsible for co-pays.

*Group 5:* Veterans receiving VA pension benefits or eligible for Medicaid programs, and non service-connected veterans and non compensable, zero percent service-connected veterans whose annual income and net worth are below the established VA means test thresholds.

*Group 6:* Veterans of the Mexican border period or World War I; veterans seeking care solely for certain conditions associated with exposure to radiation or exposure to herbicides while serving in Vietnam; for any illness associated with combat service in a war after the Gulf War or during a period of hostility after Nov. 11, 1998; for any illness associated with participation in tests conducted by the Defense Department as part of Project 112/Project SHAD; and veterans

with zero percent service-connected disabilities who are receiving disability compensation benefits.

*Group 7:* Non service-connected veterans and non-compensable, zero percent service-connected veterans with income above VA's national means test threshold and below VA's geographic means test threshold, or with income below both the VA national threshold and the VA geographically based threshold, but whose net worth exceeds VA's ceiling (currently \$80,000) who agree to pay co-pays.

*Group 8:* All other non service-connected veterans and zero percent, non-compensable service-connected veterans who agree to pay co-pays. (Note: Effective Jan. 17, 2003, VA no longer enrolls new veterans in priority group 8).

### **Co-payments for Medical Services -- Veterans Means Testing**

VA uses means testing to determine a veteran's level of co-payments for medical services and in addition to accept or deny certain veterans applying for the first-time. Prior to 2003 VA allowed veterans to apply for medical coverage with any income level who were not required to meet means testing. These are veterans classified as priority 8. VA will no longer accept applications from these veterans. As the demand for services grows faster than funding, VA, in the future, may also exclude priority 7 veterans from enrolling in the system.

Although there are exceptions, as a general rule, veterans in priority categories 2 through 6 do not have to pay co-pays for the following services

- ◆ inpatient services,
- ◆ outpatient services or
- ◆ long term care services.

In other words these services are free.

Veterans in priority categories 7 and 8 generally do have to pay co-pays but there are some exceptions if the veteran meets VA's mean test or the geographic means test.

In some states VA's mean test for maximum income is less than the geographic means test and in other states it is just the opposite.

**The most important thing to remember about co-pays is that a veteran receiving VA pension is classified a priority 5 veteran. Priority 5 veterans receive free; inpatient care, outpatient care and long term care. They have no co-payments for medical services. The priority 5 veteran must pay VA prescription drug co-pays unless that veteran has a household income below the current pension maximum income rate. Those pension incomes for 2008 are found in the first column of the table below. Also note that priority 5 veterans do not have to pay any more than \$960 a year for their prescriptions from a VA pharmacy if they do have to pay for drugs.**



Veterans Means Test for Co-Pays (Low Income Financial Test) -- Financial Test Year 2008

Veteran with	Free VA prescriptions and travel benefits (maximum allowable rate) <b>Pension Rates</b>	Free VA Health Care (0% service {noncompensable} nonservice-connected veterans)	Medical Expenses Deduction (5% of maximum allowable pension rate from previous year)
0 dependents	\$11,180 or less	\$28,429 or less	\$559
1 dependent	\$14,642 or less	\$34,117 or less	\$732
2 dependents	\$16,551 or less	\$36,026 or less	\$828
3 dependents	\$18,460 or less	\$37,935 or less	\$923
4 dependents	\$20,369 or less	\$39,844 or less	\$1,019
For each additional dependent add:	\$1,909	\$1,909	5% of Maximum Allowable Pension Rate
Medicare Deductible: \$1,019		Income & Asset net worth: \$80,000	

The GMT Income Threshold Test (geographic means test) could be higher or lower than the VA's means test. To obtain GMT income thresholds per state for purposes of qualifying under an enrollment priority go to <http://www.va.gov/healtheligibility/Library/pubs/GMTIncomeThresholds/>

2008 Co-payment Rates -- Effective January 1, 2008

**Outpatient Services\***

Basic Care Services—services provided by a primary care clinician **\$15/visit**

Specialty Care Services—services provided by a clinical specialist such as surgeon, radiologist, audiologist, optometrist, cardiologist, and specialty tests such as magnetic resonance imagery (MRI), computerized axial tomography (CAT) scan, and nuclear medicine studies **\$50/visit**

\*Co-pay amount is limited to a single charge per visit regardless of the number of health care providers seen in a single day. The copay amount is based on the highest level of service received. There is no copy requirement for preventive care services such as screenings and immunizations.

**Medications**

For each 30-day or less supply of medication for treatment of nonservice-connected condition **\$8**

(Veterans in Priority Groups 2 through 6 are limited to a **\$960** annual cap)  
VA does not charge a copy for medications used for treatment of —

- ◆ A veteran who is 50% or more service-connected

- ◆ A veteran who has been determined by VA as unemployable due to their service-connected conditions
- ◆ A veteran's specific service-connected disability
- ◆ A veteran who is a former POW
- ◆ A veteran whose income is below the maximum annual rate for VA pension
- ◆ A veteran's conditions related to a veteran's exposure to:
  - Herbicides during the Vietnam-era, OR
  - Ionizing radiation during atmospheric testing, OR
  - Ionizing radiation during the occupation of Hiroshima and Nagasaki
- ◆ A service-related condition of a veteran who served:
  - In the Gulf War, OR
  - In combat in a war after the Gulf War, OR
  - During a period of hostility after November 11, 1998
- ◆ A veteran's military sexual trauma
- ◆ A veteran's cancer of head or neck caused by nose or throat radium treatments given while in the military
- ◆ A veteran participating in a VA approved research project

***Inpatient Services\*\****

Inpatient copy for first 90 days of care during a 365-day period    **\$1,024**

Inpatient Copy for each additional 90 days of care during a 365-day period    **\$512**

Per Diem Charge    **\$10/day**

\*\*Based on geographically-based means testing, lower income veterans who live in high-cost areas may qualify for a reduction of 80% of inpatient copy charges.

***Long-Term Care#***

Nursing Home Care/Inpatient Respite Care/Geriatric Evaluation maximum of **\$97/day**

Adult Day Health Care/Outpatient Geriatric Evaluation or Outpatient Respite Care maximum of **\$15/day**

Geriatric Evaluation

Domiciliary Care maximum of **\$5/day**

#Co-pays for Long-Term Care services start on the 22nd day of care during any 12-month period—there is no copy requirement for the first 21 days. Actual copy charges will vary from veteran to veteran depending upon financial information submitted on VA Form 10-10EC.

# Disability Income: Compensation and Pension

## Introduction to VA Pension, Compensation & VA Pension with Aid & Attendance

"Aid and attendance" is a commonly used term for a little-known veterans' disability income. The official title of this benefit is "Pension." The reason for using "aid and attendance" to refer to Pension is that many veterans or their single surviving spouses can become eligible if they have a regular need for the aid and attendance of a caregiver or if they are housebound. Evidence of this need for care must be certified by VA as a "rating." With a rating, certain veterans or their surviving spouses can now qualify for Pension. Pension is also available to low income veteran households without a rating, but it is a lesser dollar amount.

For information on ratings please go to the article entitled "Who is eligible for the aid and attendance Pension benefit?"

### **Pension Is One of Two Disability Income Benefits from VA**

The Department of Veterans Affairs offers two disability income benefits for veterans who served on active duty.

*The first of these benefits -- Pension -- is discussed briefly in the paragraph above.* The purpose of this benefit is to provide supplemental income to disabled or older veterans who have a low income. Pension is for war veterans who have disabilities that are not connected to their active-duty service. If the veteran's income exceeds the Pension amount, then there is no award. However, income can be adjusted for unreimbursed medical expenses, and this allows veterans with household incomes larger than the Pension amount to qualify for a monthly benefit. There is also an asset test to qualify for Pension.

*The second disability income benefit is called "Compensation"* and it is designed to award the veteran a certain amount of monthly income to compensate for potential loss of income in the private sector due to a disability or injury or illness incurred in the service. In order to receive Compensation, a veteran has to have evidence of a service-connected disability. Most veterans who are receiving this benefit were awarded an amount based on a percentage of disability shortly after they left the service. There is generally no income or asset test for most forms of Compensation and the benefit is nontaxable.

Some veterans may have record of being exposed to extreme cold, having an inservice, nondisabling injury, having tropical diseases or tuberculosis or other incidents or exposures that at the time may not have caused any disability but years later have resulted in medical problems. Most elderly veterans, who never applied for compensation, may not realize they can apply many years after leaving the service. In fact, VA recognizes this issue and in 2006 conducted an outreach program to these veterans in five selected states with low elderly Compensation enrollment and ended up adding an additional 8,000 beneficiaries to the rolls.

Some veterans may be receiving Compensation but their condition has worsened. They can reapply and get a larger amount based on a higher disability rating. In fact, in 2007, VA expects twice as many cases of existing compensation to be reopened for new consideration as new first-

time claims. In 2007, VA anticipates 216,000 new claims for Compensation but will receive 448,000 claims for reconsideration of existing Compensation benefits.

Compensation and Pension claims are submitted on the same form and VA will consider paying either benefit. If a claimant is awarded both benefits, the claimant can only receive one of them. Generally, for applications associated with the cost of home care, assisted living or nursing home care, the Pension benefit results in more income.

Of the two benefits, Compensation provides 10 times more total income and covers 6 times more beneficiaries than Pension. In 2007, Compensation will pay 3,116,728 beneficiaries a total of \$34,750,690,000 and Pension will pay 523,824 beneficiaries a total of \$3,671,997,000.

Compensation is a rapidly growing program and VA estimates that approximately 35% of all veterans leaving the service will eventually submit a claim for Compensation benefits. Compensation is already a major government entitlement program and currently chews up 45% of the entire VA budget. In years to come, it will continue to become a larger proportion of the Veterans Affairs and federal budget.

There are also several death benefit variations of the two disability incomes for single surviving spouses or dependent minor children or adult dependent children. We will not discuss the death benefits related to service-connected disability but instead will discuss on this site only the Death Pension benefit.

### **Pension for Veterans with Low Income, Little Savings and Few Investments**

Although the Veterans Administration does not differentiate between various Pension applicants, there are, in practice, two kinds of Pension applications. The first type of application or claim, as it's called by VA, deals with veteran households that do not generally require the rating mentioned above in order to receive a benefit or as VA calls it, an award. These applicants will have household income less than the monthly allowable Pension rate. In addition, they will have very little in savings or investments. And, with no ratings, the size of their Pension awards will be much smaller.

It is our opinion that most veterans or their surviving spouses, receiving Pension, are in this category. We believe this is true for several reasons. One reason is that Veterans Service Representatives in the local regional office, who deal with the public, will tell callers that Pension is only available to veteran households with low income. VSR's turn away a lot of potential applicants. This is probably because these employees are not trained sufficiently to understand the special case of veterans with higher income and high long term care costs. A second reason is that callers will be told -- if they have significant savings or investments -- they will not qualify as well. It is possible to give away assets in order to qualify for Pension. Naturally, Veterans Service Representatives will not mention this as an option. A third reason is that veterans with higher income and significant assets generally don't know they can qualify for Pension under certain conditions. No one has ever told them. As a result, they never apply. A compelling fourth reason is that most people don't know the aid and attendance Pension benefit (includes A&A allowance) can help cover home care costs paid to any person or professional

providers. Most people don't attempt to apply until they have become single and enter a nursing home where VA refuses to pay the benefit if the single claimant is eligible for Medicaid.

The table below, labeled "Exhibit 3.3," is from a study conducted for VA to determine how many veterans might apply for Pension in coming years. The subjects of this report are most likely veterans with low household income and few assets. This group would be included because it is easy to research their demographics in government statistical reports. Those veteran households with higher income and high long term care costs would not show up in this report because it is difficult to predict how many veteran households will actually need long term care and what those costs might be.

It is apparent from the report that only about 28% of the eligible veteran households will actually apply for and receive Pension over the next seven years. It also appears from the study, that even for those households where Pension naturally fits, VA is not doing a good job of educating potential beneficiaries about this benefit or more would be applying.

In fact, the 2008 federal operating budget projected by Veterans Affairs shows a decline in the number of people applying for Pension; whereas, based on the table below, the program should be serving more than 3 1/2 times as many people as it does now.

VA wants to get the word out and in January of 2007, VA Secretary Jim Nicholson issued a news release that was carried by many major papers about this benefit. State Veterans Affairs departments also want the public to know about Pension, but lacking advertising budgets, they are not very effective at letting people know.

The table below does not reflect the number of surviving spouses of eligible veterans or their dependent children who are also eligible for a lesser Pension benefit called "Death Pension." In 2005, approximately 207,000 of these eligible beneficiaries were also receiving Death Pension payments from VA, in addition to the 331,000 estimated living veteran beneficiaries. Since the 2005 numbers are now available, the actual number of living veteran beneficiaries in 2005, receiving Pension, was 336,000.

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

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

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

Taken from a survey by ORC Macro Economic Systems Inc., Hay Group, December 22, 2004 called "VA Pension Program Final Report" <http://www1.va.gov/op3/docs/Pension.pdf>

### **Pension for Veterans Who Require a Rating for "Aid and Attendance" or "Housebound" in Order to Receive an Award**

This is the second type of VA application generally submitted for a claim. Claimants in this category often have income above the maximum Pension rate and they may also have significant savings or investments. Typically, this category of application requires a potential beneficiary to be paying for ongoing and expensive long term care or other medical costs.

For veteran households receiving expensive long term care services and whose incomes exceed maximum Pension rates, a rating is almost always necessary in order to receive a benefit. In most cases, without a rating, there is no benefit.

Because we believe the study above does not include an estimate for individuals requiring future VA disability ratings, we offer evidence that there is a significantly larger category of potential Pension beneficiaries. This group of eligible veterans or their survivors is about 10 times larger than the one million or so anticipated eligible beneficiaries covered by the study and expected to be awarded over the next seven years. On the other hand, this larger group of roughly 10 million Pension beneficiaries can only receive an award under certain special conditions and typically only if they receive a rating.

Receipt of a Pension benefit for this larger group is generally dependent upon whether these people have a need for long term care services. But, based on the incidence of long term care in an older population, at least 60% to 80% of this larger group might have a good chance of qualifying for Pension sometime during their remaining years.

For an explanation of the special annualized treatment of unreimbursed long term care costs and insurance premiums please go to the section entitled "*Understanding the special case of long term care medical costs.*"

The table below examines this sizable group of potential beneficiaries and also compares them to the smaller group in "Exhibit 3.3" above. Estimates of the number of survivor beneficiaries in the table below were based on the percentage of that group actually receiving benefits over the number of living veterans actually receiving the benefit. Data for this table were taken from the 2007 Statistical Abstract of the United States for the most recent years of 2005.

What is surprising about these numbers is that a third of all people -- 33% -- in this country, over the age of 65, have a potential for receiving a Pension benefit. That's how many war veterans or their survivors there are in the US.

The potential for receiving a benefit is huge. But, in actuality, only 4.7% of this large population of potential beneficiaries was actually receiving a benefit in 2005. This is truly astounding and appalling! Someone needs to do a much better job of getting the word out.

### War Veterans Age 65 & Older & Survivors as a Percent of All People over 65 -- 2005

Total Living, Age 65 and Older Veterans of Korea, WWII, Vietnam and Gulf War	7,091,000
Surviving Spouses and Other Dependents of Deceased War Veterans (estimated)	4,369,000
<b>Total Elderly Veterans and Surviving Dependents, Potential Pension Beneficiaries</b>	<b>11,460,000</b>
US Population over 65	34,761,000
Potential Elderly, and Survivor Beneficiaries as a Percent of Total US Population over 65	33.0%
Living Veterans Receiving Pension -- 2005	336,000
Eligible Dependents of Deceased Veterans Receiving Pension -- 2005	207,000
<b>Total War Veteran Pension Beneficiaries -- 2005</b>	<b>543,000</b>
<b>Percent of Elderly and Survivor Potential Beneficiaries Actually Receiving Pension -- 2005</b>	<b>4.7%</b>

### Who Is Eligible for the Aid and Attendance Pension Benefit?

Filing a claim can be time-consuming and complicated. It's important to get help.

Applications for Pension that involve a rating, evidence of prospective, recurring medical expenses, appointments for VA powers of attorney and fiduciaries, and an understanding of the actual application process should not be attempted without prior knowledge. We recommend you purchase our book to avoid lengthy delays in a decision or possible denials of the claim. Not only does the book help you understand how to shorten the decision process from VA and ensure a successful claim but the support forms we provide also help you present medical evidence and costs in a format familiar to VA service representatives.

Applications that also involve reallocation of assets in order to qualify should not be attempted without the help of a qualified veterans aid and attendance benefit consultant.

### Eligibility Rules for Pension

To receive Pension, a veteran must have served on active duty, at least 90 days, with at least one of those days served during a period of war. There must be an honorable discharge. Single surviving spouses of such veterans are also eligible. If younger than 65, the veteran must be totally disabled. If age 65 and older, there is no requirement for disability. There is no disability requirement for a single surviving spouse.

The veteran household cannot have income -- adjusted for unreimbursed medical expenses -- exceeding the Maximum Allowable Pension Rate-- MAPR -- for that veteran's Pension income category. If the adjusted income exceeds MAPR, there is no benefit. If adjusted income is less than the MAPR, the veteran receives a Pension income that is equal to the difference between MAPR and the household income adjusted for unreimbursed medical expenses. The Pension income is calculated, based on 12 months of future household income, but paid monthly.

Period of War	Beginning and Ending Dates
World War II	December 7, 1941 through December 31, 1946
Korean Conflict	June 27, 1950 through January 31, 1955
Vietnam Era	August 5, 1964 through May 7, 1975; for veterans who served "in country" before August 5, 1964, February 28, 1961 through May 7, 1975
Gulf War	August 2, 1990 through a date to be set by law or Presidential Proclamation

### **The Special Case for Long Term Care Costs**

A special provision for calculating Pension income, allows household income to be reduced by 12 months worth of future, recurring medical expenses. Normally, income is only reduced by medical expenses incurred in the month of application. These allowable, annualized medical expenses are such things as insurance premiums, the cost of home care, the cost of paying any person to provide care, the cost of adult day care, the cost of assisted living and the cost of a nursing home facility. In most cases, these expenses are only deductible if there is a rating.

This special provision can allow veteran households earning more than the annual MAPR to qualify for Pension. As an example, a veteran household earning \$6,000 a month could still qualify for Pension if the veteran is paying \$4,500 to \$6,000 a month for nursing home costs. The applicant must submit appropriate evidence for a rating and for recurring costs in order to qualify for this special provision. VA normally does not tell applicants about this special treatment of medical expenses or how to qualify for it. For an explanation of the special annualized treatment of unreimbursed long term care costs and insurance premiums please go to the section entitled *"Understanding the special case of long term care medical costs."*

### **Dealing with Assets That May Disqualify the Applicant**

There is also an asset test to qualify for Pension. Any asset or investment that could be easily converted into income might disqualify the claimant. An asset ceiling of \$80,000 is often cited in the media as being the test. The \$80,000 has to do with VA internal filing requirements and is not an actual test. In reality, there is no dollar amount for the test and any level of assets could block the award. The asset test ultimately becomes a subjective decision made by the veterans service representative, processing the application.

A home, used as a residence, vehicles and difficult-to-sell property are generally excluded from the asset test. VA will allow assets to be transferred or converted to income in order to meet the asset test. There is no look back penalty for transferring assets as there is with Medicaid. There are specific rules governing transfers of assets and what constitutes income from assets and it must be done correctly.



We recommend using a qualified aid and attendance benefit consultant when dealing with assets that may disqualify. It is extremely important that assets that might be gifted or converted to income also meet Medicaid gifting rules in case the veteran or the surviving spouse may have to apply for Medicaid. The consultant can help avoid Medicaid penalties associated with reallocating assets.

**The** **Rating**  
A rating for "aid and attendance" or "housebound" allows VA to pay additional benefits beyond the regular Pension benefit ceiling in order to help cover the additional costs associated with added disabilities. A rating for these allowances is determined by a veteran service representative who has been trained to recognize from medical reports and interviews whether the veteran or his surviving spouse needs the additional care.

Determinations of a need for aid and attendance or housebound benefits may be based on medical reports and findings by private physicians or from hospital facilities. Authorization of aid and attendance benefits without a rating decision is automatic if evidence establishes the claimant is a patient in a nursing home. Aid and attendance is also automatic if the claimant is blind or nearly blind or having severe visual problems.

According to 38 CFR Part Three, the following criteria are used to determine the need for aid and attendance:

- inability of claimant to dress or undress himself (herself), or to keep himself (herself) ordinarily clean and presentable;
- frequent need of adjustment of any special prosthetic or orthopedic appliances which by reason of the particular disability cannot be done without aid (this will not include the adjustment of appliances which normal persons would be unable to adjust without aid, such as supports, belts, lacing at the back, etc.);
- inability of claimant to feed himself (herself) through loss of coordination of upper extremities or through extreme weakness;
- inability to attend to the wants of nature;
- or incapacity, physical or mental, which requires care or assistance on a regular basis to protect the claimant from hazards or dangers incident to his or her daily environment.

Not all of the disabling conditions in the list above are required to exist before a favorable rating may be made. The personal functions which the veteran is unable to perform are considered in connection with his or her condition as a whole. It is only necessary that the evidence establish that the veteran is so helpless as to need "regular" (scheduled and ongoing) aid and attendance from someone else, not that there be a 24-hour need.

"Bedridden" is a definition that allows a rating for aid and attendance by itself. "Bedridden" is a condition which requires that the claimant remain in bed. A person who has voluntarily taken to bed or who has been told by the doctor to remain in bed will not necessarily receive the favorable rating for aid and attendance. There must be an actual need for personal assistance from others.

Housebound means "permanently housebound by reason of disability or disabilities." This requirement is met when the veteran or his or her widow is substantially confined to his or her dwelling and the immediate premises or, if institutionalized, to the ward or clinical area and it is reasonably certain that the disability or disabilities and resultant confinement will continue throughout his or her lifetime.

A person who cannot leave his immediate premises unless under the supervision of another person is considered housebound. This might include the inability to drive because of the disability.

A housebound rating does not mean a person needs to be confined to a personal residence. It can apply to any place where the person is living whether in a facility or in the home of someone else.

In order to receive one of these ratings the claimant must check the "Yes" box on VA Form 21-526 (claim for a living veteran) or VA Form 21-534 (claim for death Pension from a surviving spouse) that states: "Are you claiming a special monthly Pension because you need the regular assistance of another person, are blind, nearly blind, or having severe visual problems, or are housebound?" Failure to check this box may result in no rating and in some cases a denial of the claim as well as a loss of the rating allowance.

Medical evidence for a rating for "aid and attendance" or "housebound" for living arrangements other than a nursing home should be submitted with the application to avoid a delay in the approval process. Waiting for the regional office to order medical records is a time-consuming process, mainly because doctors' offices don't respond quickly to these kinds of requests.

We recommend a report completed by the physician, and obtained by the family prior to submission of the claim. This report is then included with the initial application. Your benefits consultant can provide a form "Form 1 -- Statement of Attending Physician (used to determine rating for A&A or HB)." This document is similar to a form used internally by VA to obtain information from veterans medical facilities for determining a rating. It is in a format that a veterans service representative would recognize.

Ratings are requested by checking the appropriate box for aid and attendance or housebound on VA Form 21-526 or VA Form 21-534.

### **How Pension Is Calculated**

The monthly award is based on VA totaling 12 months of estimated future income and subtracting from that 12 months of estimated future, recurring and predictable medical expenses. Allowable medical expenses are reduced by a deductible to produce an adjusted medical expense which in turn is subtracted from the estimated 12 months of future income.

The new income derived from subtracting adjusted medical expenses from income is called "countable" income or IVAP (Income for Veterans Affairs Purposes). This countable income is then subtracted from the Maximum Allowable Pension Rate -- MAPR -- and that result is

divided by 12 to determine the monthly income Pension award. This award is paid in addition to the family income that already exists. See examples below.

**Example #1** -- Veteran is in assisted living with aid and attendance allowance. Monthly family income is \$4,000 a month. Spouse is living at home. Unreimbursed medical expenses include prescription drugs, Medicare premiums, Medicare supplement premiums, and 12 months of prospective assisted living monthly costs. Family meets the asset test.

Total 12-month future, family income from all sources	\$48,000
Less future unreimbursed medical expenses adjusted for 5% of MAPR	\$39,600
Total countable income or IVAP	\$8,400
Couples MAPR with aid and attendance allowance	\$22,113
Less countable income	\$8,400
Yearly pension calculation	\$13,713
Monthly pension award (yearly divided by 12)	\$1,143

**Example #2** -- Veteran receiving paid home care with aid and attendance allowance. Monthly family income is \$1,900 a month. Unreimbursed medical expenses include prescription drugs, Medicare premiums, Medicare supplement premiums, and 12 months of prospective home health aide monthly costs. Family meets the asset test.

Total 12-month future, family income from all sources	\$22,800
Less future unreimbursed medical expenses adjusted for 5% of MAPR	\$23,760
Total countable income or IVAP	(\$960)
Couples MAPR with aid and attendance allowance	\$22,113
Less countable income	\$0
Yearly pension calculation	\$22,113
Monthly pension award (yearly divided by 12)	\$1,843

**Example #3** -- Surviving spouse receiving paid home care with aid and attendance allowance. Monthly income is \$850 a month. Unreimbursed medical expenses include prescription drugs, Medicare premiums, Medicare supplement premiums, and 12 months of prospective home health aide monthly costs. Surviving spouse meets the asset test.

Total 12-month future, income from all sources	\$10,200
Less future unreimbursed medical expenses adjusted for 5% of MAVP	\$12,000
Total countable income or IVAP	(\$1,800)
Single death pension MAVP with aid and attendance allowance	\$11,985
Less countable income	\$0
Yearly pension calculation	\$11,985
Monthly pension award (yearly divided by 12)	\$999

### **The Special Case of Long Term Care, Recurring Medical Expenses**

A special provision for calculating Pension income, allows household income to be reduced by 12 months worth of future, recurring medical expenses. Normally, income is only reduced by medical expenses incurred in the immediate months prior to application. These allowable, annualized medical expenses are such things as insurance premiums, the cost of home care, the cost of paying any person to provide care, the cost of adult day care, the cost of assisted living and the cost of a nursing home facility.

This special provision can allow veteran households earning more than the annual MAPR to qualify for Pension. As an example, a veteran household earning \$6,000 a month could still qualify for Pension if the veteran is paying \$4,500 to \$6,000 a month for nursing home costs. The applicant must submit appropriate evidence for a rating and for recurring costs in order to qualify for this special provision.

VA normally does not tell applicants about this special treatment of medical expenses or how to qualify for it. Our book provides ample information on this special treatment and provides appropriate forms to present medical and cost evidence in the most favorable manner. VA does not have standard forms for this purpose.

### **Rationale for Allowing Future, Annualized Deductions**

The following is quoted from VA manual 21-1:

"The basic theory underlying improved Pension is that during any given month a beneficiary's IVAP plus VA Pension benefits will establish a given level of income (the MAPR). To make the program conform more closely to its basic theory, certain expenses paid by a beneficiary are taken into consideration in arriving at the individual's

IVAP. Most deductible expenses are allowed as deductions from otherwise net countable income. However, certain deductible expenses are allowed only as deductions from specific income. See paragraph 16.35."

"Then unreimbursed medical expenses that exceed 5 percent of the applicable maximum annual Pension rate (MAPR) are deductible. Note: In determining the 5 percent deductible, include additional benefits for dependents and the WWI/MBP supplement in the MAPR. Do not include additional benefits for Aid and Attendance or Housebound status in the MAPR. ..."

"In most instances, the medical expense deduction is allowed after the fact. However, if a claimant has consistently recurring unreimbursed medical expenses (for example, a nursing home patient), it may be possible to allow the medical expense deduction on a continuing basis." (This means certain recurring expenses can be counted for the 12-month future benefit period.)

### **Authority for Allowing Prospective, Annualized, Recurring Medical Expenses**

38 CFR 3.272 (g) Exclusions from income; Medical Expenses. Within the provisions of the following paragraphs, there will be excluded from the amount of an individual's annual income any unreimbursed amounts which have been paid within the 12-month annualization period for medical expenses regardless of when the indebtedness was incurred. An estimate based on a clear and reasonable expectation that unusual medical expenditure will be realized may be accepted for the purpose of authorizing prospective payments of benefits subject to necessary adjustment in the award upon receipt of an amended estimate, or after the end of the 12-month annualization period upon receipt of an eligibility verification report.

In order to receive a deduction for unreimbursed medical expenses and to adjust the claimant's countable income the following must apply.

- The beneficiary actually has to be paying the expenses or be the responsible person for paying future expenses.
- The beneficiary will receive no reimbursement for the expenses from insurance or any other source.
- The expenses were paid on behalf of someone in the household not necessarily for the beneficiary of the Pension.
- Expenses were paid or intended to be paid in the future after the date of entitlement.
- Expenses must exceed 5% of MAPR

### **Evidence of Medical Expenses**

Proof of all medical expenses including recurring expenses to be annualized for the 12 month future benefit period must be submitted to the regional office. Photocopies of invoices or statements on the provider's letterhead are acceptable, but copies of canceled checks are not.

Evidence of payment should include the following:

- The amount paid
- The date payment was made
- The purpose of the payment (the nature of the product or service provided)
- The name of the person to or for whom the product or service was provided
- Identification of the provider to whom payment was made.

The application form for Pension provides only a few lines for detailing medical costs. The form suggests adding a separate page if more detail is required. In actuality, the application form provides no information and no hints that certain medical costs can be annualized to calculate the Pension benefit. One simply has to know that this is the case and how to do it. This is one of the well-kept secrets of applying for Pension.

Your veterans benefits consultant can provide a form that appropriately details the long term care costs and a form for insurance premium costs identified in the list above. Copies of statements and contracts should also accompany these forms.

A number of veterans service organizations feel it is important for the claimant and other members in the claimant's household--who are claiming medical expenses--to sign a statement verifying those out-of-pocket costs. Your veterans benefits consultant has a form that could be used for this purpose entitled "Form 4 -- Claimant's Certification (verifies out-of-pocket costs for unreimbursed medical expenses)." We highly recommend that this form or one similar to it be submitted with the application.

### **In Most Cases, Medical Expenses Are Only Annualized if There Is Also a Rating.**

If the claimant is a patient in a nursing home, VA will automatically grant the aid and attendance allowance, and it will not have to be reviewed by a rating service representative. Evidence is required from the nursing home that the claimant is a patient.

For information on ratings please go to the section entitled *"Who is eligible for the aid and attendance Pension benefit?"*

It is important to differentiate between a "patient" in a nursing home and a "resident" in a nursing home. It is very rare these days for someone to be in a nursing home and not need help with activities of daily living, medical attention, or supervision because of mental incapacity. But it sometimes happens. The person who is only receiving room and board in a nursing home cannot deduct expenses of the nursing home nor receive an aid and attendance rating.

VA or your consultant has a form "VA Form 21-0779 -- Request for Nursing Home Information in Connection with Claim for Aid and Attendance."

Medical evidence for a rating for "aid and attendance" or "housebound" for living arrangements other than a nursing home should be submitted with the application to avoid a delay in the approval process. Waiting for the regional office to order medical records is a time-consuming process, mainly because doctors offices don't respond quickly to these kinds of requests.

We recommend a report completed by the physician, and obtained by the family prior to submission of the claim. This report is then included with the initial application. Your consultant has a form entitled "Form 1 -- Statement of Attending Physician (used to determine rating for A&A or HB)." This document is similar to a form used internally by VA to obtain information from veterans medical facilities for determining a rating. It is in a format that a veterans service representative would recognize.

Ratings are requested by checking the appropriate box for aid and attendance or housebound on VA Form 21-526 or VA Form 21-534.

As a restatement of the requirements above: In addition to medical evidence submitted for a rating, applicants must also submit evidence of actually paying for care in assisted living or at home and for the recurring costs of insurance premiums. In other words, arrangements for providing care or insurance costs must already be implemented and contract for payment or actual payment must have been arranged before the regional office will consider allowing claims for unreimbursed medical expenses.

Most families make the mistake of applying too soon -- before care arrangements have been made -- and may end up with a denial of the claim or drag out the process many months longer than it should take.

### **Using Aid and Attendance to Pay Any Person for Care in the Home**

Most people who have heard about Pension know that it will cover the costs of assisted living and, in some cases, cover nursing home costs as well. But the majority of those receiving long term care in this country are in their homes. Estimates are that approximately 70% to 80% of all long term care is being provided in the home. All of the information available about Pension overlooks the fact that this benefit should be used to pay for home care. Maybe if more people knew this fact, more people would be applying for the benefit.

It also comes as a surprise to most people that VA will allow veterans' households to deduct the annual cost of paying any person such as family members, friends or hired help for care when calculating the Pension benefit. This annual cost is then used to calculate the benefit based on a new "countable income" and allows families earning more than the pension benefit to receive a disability income from VA.

This extra income can be a welcome benefit for families struggling to provide eldercare for loved ones at home. Under the right circumstances, this annualized medical expense for the cost of family members, friends or any other person providing care, could create an additional household income of up to \$999 a month for a single surviving spouse of a veteran, up to \$1,555 a month for a single veteran or up to \$1,843 a month for a couple.

If the disabled care recipient has been rated "housebound" or in need of "aid and attendance" by VA, all fees paid to an in-home attendant will be allowed as long as the attendant provides some medical or nursing services for the disabled person. The attendant does not have to be a licensed health professional. Services of licensed home care providers can be deducted without any need for a rating but the pension award is a lesser amount.

It is our understanding that a non-licensed in-home attendant could be just about anyone receiving pay for providing services. This might be members of the family, friends, or someone hired to live in the home. Examples of medical or nursing services would be help with activities

of daily living such as dressing, bathing, toileting, ambulating, feeding, diapering and so on. Other services might include medication reminders or supervision necessary to provide a protective environment for the care recipient -- in the case of dementia or Alzheimer's.

All reasonable fees paid to the individual for personal care of the disabled person and maintenance of the disabled person's immediate environment may be allowed. This includes such services as cooking and housecleaning. It is not necessary to distinguish between "medical" and "non-medical" services. Services which are beyond the scope of personal care of the disabled person and maintenance of the disabled person's immediate environment may not be allowed. This might include paying the bills, providing transportation for other family members, cooking and cleaning for other family members, providing entertainment, providing transportation for personal needs other than medical and so on.

For a disabled person who has been rated, a family member may be considered an in-home attendant, but that family member has to be paid for services duly rendered. There is potential for fraud here where a family member may move into the home and ostensibly receive payment as a caregiver but not actually provide the level of care paid for. Documentation for this care must be provided to VA, and it is reasonable for VA to question whether the services being purchased from a family member living in the household are legitimate. Such arrangements should be extensively documented and completely arm's-length.

The care arrangements and payment must be made prior to application and there must be evidence that this care is needed on an ongoing and regular basis. We recommend a formal care contract and weekly invoice billing for services. Money must exchange hands and there must be evidence of this. All of this documentation must be provided as proof to VA when making application for the pension benefit. Costs for these services must be unreimbursed; meaning these costs are not paid by insurance, by contributions from the family or from other sources.

***Let's look at the following example.***

Michelle, who is a divorced mother of two teenagers, moves in with her mother. Michelle's mother, Carla, has recently had a stroke and needs supervision and help. In order to take care of her mother, Michelle cannot maintain full employment outside of the home. She has found a company that will let her work at home on her computer but it is not full time employment and it does not pay well.

Michelle has expenses she needs to cover for existing debts and to support her two teenage children. She does not have housing costs but does consume additional food and utilities resources due to her presence and her children being in the home. She also incurs transportation costs for her car, running errands, shopping for the household, taking Carla to doctor's appointments and transporting her children.

Carla's household income is \$1,400 a month which consists of Social Security and a small Pension. She has about \$20,000 in savings in the bank. She owns her home and a car. Michelle's and Carla's combined income is just not enough to make ends meet for both families.



Carla is the single surviving widow of a Korean veteran. Michelle has heard of a veterans benefit consultant who helps families in this predicament obtain the Pension benefit. Michelle meets with the consultant and he suggests that Michelle and her mother establish a contract for care and that Carla pay her daughter \$1,300 a month to provide care. He then suggests submitting a claim for a Death Pension for Carla. The consultant makes sure a legitimate arm's-length agreement is written up and that the care services and payments to Michelle are accurately documented.

In order for these payments to Michelle to count towards a Pension award, Carla must have a rating from the VA for "aid and attendance" or "housebound." The consultant provides forms and advice to guide Michelle and her mother through the application process. He makes sure that all of the required documentation is in place before the application is submitted. He reviews all documentation and the completed form, which Michelle and her mother have filled out, before sending them to a state veterans service officer for the final submission.

For information on ratings please go to the article entitled "Who is eligible for the aid and attendance Pension benefit?"

If VA allows annualization of the cost of the care contract in calculating the Pension benefit, Michelle's mother should receive an award. In calculating Pension, Michelle's \$1,300 a month contract payment should be annualized and subtracted from her annual income. An additional medical deduction is included for Carla's \$200 a month payments for Medicare Part B, Medicare Part D and a Medicare supplement policy.

This additional amount should be annualized and also subtracted from Carla's income. Both the contract payments and the insurance premiums are adjusted for 5% of MAPR before being subtracted from Carla's income. Her new "countable" income will be negative and subtracting that new income from the MAPR will allow Carla to receive the maximum Pension benefit for her rating category.

For an explanation of the special annualized treatment of unreimbursed long term care costs and insurance premiums please go to the section entitled "*Understanding the special case of long term care medical costs.*"

After five months, VA awards Carla \$999 a month in additional Pension income. Her total income is now \$2,376 a month. VA also awards a total of four months of benefit, payable retroactively to the first day of the month following the month in which the application was received in the regional office.

### **Conclusion**

Depending on household income and the amount of the care contract and the amount of VA Pension income, these types of care arrangements could be a welcome addition for families struggling to provide care for their loved ones at home. Family care providers, on contract with their loved ones, do not have to be residing in the home. Caution should be exercised that these are indeed legitimate contracts and care provider arrangements and there are no behind-the-scenes transfers of monies.

## **Using Aid and Attendance for Professional Home Care Services**

Applications for Pension that involve a rating, evidence of prospective, recurring medical expenses, appointments for VA powers of attorney and fiduciaries, and an understanding of the actual application process should not be attempted without prior knowledge. We recommend you use a consultant to avoid lengthy delays in a decision or possible denials of the claim. Not only will the consultant help you understand how to shorten the decision process from VA and ensure a successful claim but the support forms he or she provides also help you present medical evidence and costs in a format familiar to VA service representatives.

Applications that also involve reallocation of assets in order to qualify should not be attempted without the help of a qualified veterans aid and attendance benefit consultant.

## **Annualization of Home Care Costs**

Medical expenses for home care aides are allowed prospectively for annualization if those expenses are reasonably predictable. The evidence would also have to show that the need for care is ongoing and regular. Expenses may be allowed whether the care recipient has a rating for aid and attendance or housebound or is not rated. However, deductible payments to a non-rated beneficiary are more restrictive.

Evidence must be submitted indicating an ongoing need for the care and the level of care in order for the Veterans Service Representative to consider the medical expense as recurring and eligible to be annualized. A form such as the one we provide in our block entitled "Form 2 -- Care Provider Report (used to provide evidence of recurring medical expenses)" should be used for this purpose. Also a copy of a contract between the provider and the recipient, covering at least a year, and outlining the provisions and the cost should be submitted to prove the intent of the care recipient and the provider.

For an explanation of the special annualized treatment of unreimbursed long term care costs and insurance premiums please go to the section entitled "*Understanding the special case of long term care medical costs.*"

The non-veteran spouse of a living veteran may also be eligible for annualization of home health aide costs. If the home care is being furnished by a licensed health professional, then not much further proof is necessary other than the documentation proving the care is being provided. If the provider is not licensed, we are not sure much could be done to allow deduction for anything other than direct medical services.

As outlined below, payments to nonlicensed providers are only allowed if the care recipient has a rating for "aid and attendance" or "housebound." Unfortunately, a non-veteran spouse of a living veteran cannot receive a rating and therefore would not be eligible for annualization of costs.

VA will not rate a non-veteran spouse of a living veteran for "aid and attendance" or "housebound" and even though the spouse's home care medical expenses might be annualized to produce a benefit, the Pension award will be much smaller without the allowance for a rating. Of course, a death claim is different because the surviving spouse can receive a rating in that case.

For information on ratings please go to the section entitled *"Who is eligible for the aid and attendance Pension benefit?"*

### **Home Care Recipient Is Not Rated**

Payments for care at home for a recipient who is not rated for housebound, or aid and attendance are only allowed for annualization if made to a licensed health professional. The term "licensed health professional" refers to an individual licensed to furnish health services by the state in which the services are provided. The term includes registered nurses, licensed vocational nurses and licensed practical nurses. Some states also license non-medical home care providers to provide services as well. Since this is a fairly new practice, we don't know if these people would qualify under the definition above but we suspect they will.

All reasonable fees paid to the licensed health professional for personal care of the disabled person and maintenance of the disabled person's immediate environment may be allowed. This includes such services as cooking for the disabled person and housecleaning for the disabled person. It is not necessary to distinguish between "medical" and "nonmedical" services. However, services which are beyond the scope of personal care of the disabled person and maintenance of the disabled person's immediate environment may not be allowed.

Services beyond the scope might be services such as driving the veteran's spouse to appointments, paying bills, answering the phone, providing shopping errands for the household, and so on. If an hourly rate is being paid to the home care provider, a portion of this rate may be disallowed for services beyond the scope of personal care.

### **Care Recipient Is Rated for "Aid and Attendance" or "Housebound"**

If the disabled care recipient has been rated "housebound" or in need of "aid and attendance" by VA, all fees paid to an in-home attendant will be allowed as long as the attendant provides some medical or nursing services for the disabled person. The attendant does not have to be a licensed health professional.

All reasonable fees paid to the individual for personal care of the disabled person and maintenance of the disabled person's immediate environment may be allowed. This includes such services as cooking for the disabled person and housecleaning for the disabled person. It is not necessary to distinguish between "medical" and "nonmedical" services. However, as with an unrated beneficiary, services which are beyond the scope of personal care of the disabled person and maintenance of the disabled person's immediate environment may not be allowed.

For a disabled person who has been rated, a family member may be considered an in-home attendant, but that family member has to be paid for services duly rendered. There is potential for fraud here where a family member may move into the home and ostensibly receive payment as a caregiver but not actually provide the level of care paid for. Documentation for this care must be provided to VA, and it is reasonable for VA to question whether the services being purchased from someone living in the household are legitimate.

Whether this type of care is eligible for annualization is also questionable. The family member who is living in the home can certainly request consideration of this care as a recurring monthly cost, but our guess is, if VA allows it, the relationship will be scrutinized very carefully month-to-month.

We suspect the service representative is more likely to grant a request for annualization for a family member who is not living in the home. In either case, evidence must be submitted that this care will be required month-to-month and that the cost and the amount of care will remain fairly constant. Otherwise prospective annualization of the expenses is unlikely. We also suggest drawing up a contract between the family member and the person receiving the care and a copy of this furnished to VA along with actual evidence of payment.

### **Documentation of Home Care Expenses**

If the fees for an in-home attendant are an allowable expense, receipts or other documentation of this expense are required.

Documentation includes any of the following:

1. a receipt bill
2. statement on the provider's letterhead
3. computer summary
4. ledger, or
5. bank statement.

The evidence submitted must include:

1. the amount paid
2. the date payment was made
3. the purpose of the payment (the nature of the product or service provided)
4. the name of the person to or for whom the product or service was provided
5. identification of the provider to whom payment was made.

### **Using Aid and Attendance to Pay for Assisted Living**

Applications for Pension that involve a rating, evidence of prospective, recurring medical expenses, appointments for VA powers of attorney and fiduciaries, and an understanding of the actual application process should not be attempted without prior knowledge. We recommend you use a consultant to avoid lengthy delays in a decision or possible denials of the claim. Applications that also involve reallocation of assets in order to qualify should not be attempted without the help of a qualified veterans aid and attendance benefit consultant.

### **Annualizing Costs of Assisted living, Residential Care, Adult Day Care or Other Similar Arrangements**

These facilities are not categorized by VA as nursing homes. As such, annualization of costs and a rating are not automatic. If the beneficiary is not rated, the service representative will only

allow recurring unreimbursed medical expenses for specific medical care provided by licensed health professionals. Costs for room and board or custodial care cannot be applied.

For information on ratings please go to the article entitled "Who is eligible for the aid and attendance Pension benefit?"

On the other hand, if a beneficiary residing in one of these living arrangements has been rated a need for "aid and attendance" or "housebound", VA will allow all reasonable costs to be counted as prospective, annualized medical expenses as long as some of those costs are paid for medical care. The providers do not have to be licensed. In the case of Alzheimer's, the physician's statement used for rating must indicate the person needing care must be in a protective environment; otherwise, only medical costs are covered. Applying for a rating is discussed in a previous section above. All reasonable costs would include room and board as well as other unreimbursed billable services.

For an explanation of the special annualized treatment of unreimbursed long term care costs and insurance premiums please go to the section entitled "*Understanding the special case of long term care medical costs.*"

The director of the facility must sign a statement verifying the type of care being given and the fact that the person receiving the care is expected to remain a resident in the facility. Your consultant has a copy of a form entitled "Form 2 -- Care Provider Report (used to provide evidence of recurring medical expenses)" We highly recommend this form or a similar form be submitted with the application. A copy of the contract for services as well as invoices and statements from the facility should also be included with Form 2.

There may be a possibility of a non-veteran spouse of a living veteran receiving annualized credit for recurring costs of non-nursing home facility care. Requesting annualization for the spouse may be a problem because the amount of allowable costs without a rating for "aid and attendance" or "housebound" could be much smaller or disallowed. We recommend checking the box on the application for a rating. This will probably confuse the service representative but may alert that person to the request of the spouse's expenses. We also recommend submitting a letter with the application requesting recurring, annualized treatment of the cost of the care facility and assuring VA the spouse does deserve a rating. Otherwise, the spouse's cost of assisted living may not be allowed as a deduction.

VA will not allow a Pension rating for a non-veteran spouse of a living veteran, but the point is to try and convince the service representative that the total cost of room and board should be annualized as if there were a rating. All of the corroborating evidence such as medical reports, statements, verification reports by directors of the facilities, and contracts should be submitted in the same manner as if applying for these benefits for the veteran. We cannot assure any applicant that this request will be granted, but it is worth a try. We recommend you contact a qualified aid and attendance benefit consultant to help you with this special case scenario of a non-veteran spouse.

Of course, a death claim is different because the surviving spouse can receive a rating in that case. If VA allows annualization of facility costs for a spouse of a living veteran, there will be no Pension allowance for aid and attendance or housebound, and the Pension award will be much smaller.

## **Using Aid and Attendance to Pay for a Nursing Home**

### **The Easiest and yet Most Difficult Application**

For a potential beneficiary in a nursing home, the application for Pension is very straightforward. The claimant simply has to check the box on VA 21-526 or VA 21-534 that he or she is a patient in a nursing home and provide evidence for that. An award, including an aid and attendance allowance from VA, is almost always forthcoming without any additional requirements relating to a rating. Nursing home costs are also automatically annualized.

Unfortunately, in most cases, Pension does not work well for paying the costs of a nursing home. This is because the amount of Pension income is rarely enough to cover the difference between the cost of the nursing home and the beneficiary's income. On the other hand, Medicaid will cover this difference in cost and in most cases Medicaid is a better alternative to Pension.

Eligibility for Medicaid causes difficulty for those beneficiaries who also want to receive Pension income in a nursing home. For a single person, VA refuses to pay the full Pension benefit if that person is eligible for Medicaid and will only pay \$90 a month towards nursing home costs. For a beneficiary with a spouse at home, the combination of Pension and Medicaid may not work due to Medicaid rules. Finally, if assets have to be gifted in order to qualify for Pension, this could make the potential Pension beneficiary ineligible for Medicaid.

There are, however, circumstances where Pension fits very well for a beneficiary in a nursing home. One case would be where the nursing home patient has to go through a spend down in order to be eligible for Medicaid. Pension would also be beneficial where the nursing home patient is strictly private-pay or is private-pay awaiting an available Medicaid bed. And in some cases, Pension and Medicaid together might be a better alternative where there is a spouse at home. But each of these instances is specific to the individual circumstances.

As easy and simple as the Pension application for a nursing home patient is, claimants should always seek the advice of a consultant who understands both Medicaid and the VA benefit. There are strategies that can be pursued to make Pension for nursing home patients work out in certain cases. But most people can't solve this on their own and it requires an expert to make the combination of Medicaid and Pension successful.

### **Annualization of Nursing Home Costs**

If the veteran or veteran's surviving spouse is a patient in a nursing home, VA should automatically allow 12 months worth of nursing home costs to be applied as medical expenses. The patient will also automatically receive an aid and attendance allowance. The expenses applied are out-of-pocket costs after reimbursement.

For an explanation of the special annualized treatment of unreimbursed long term care costs and insurance premiums please go to the section entitled "*Understanding the special case of long term care medical costs.*"

An annualized medical expense deduction can be allowed for unreimbursed nursing home fees even if the nursing home is not be licensed by the state to provide skilled or intermediate level care. The definition of a "nursing home" for purposes of the medical expense deduction is not the same as the definition of nursing home set out in 38 CFR 3.1(z). A nursing home for purposes of the medical expense deduction is any facility which provides extended term, inpatient medical care.

A responsible official of the nursing home must sign a statement that the disabled claimant is a patient (as opposed to a resident) of the nursing home. VA has a form that is used for this purpose. It is called " VA Form 21-0779 -- Request for Nursing Home Information in Connection with Claim for Aid and Attendance."

A copy of the contract with the facility should also be included when submitting this form. Statements and evidence of payment must also be included. Canceled checks are not acceptable. Veterans in State Veterans Homes may apply their out-of-pocket costs for use of the home as a recurring prospective, medical expense deduction. Again, a statement from an official of the state home indicating the veteran is a patient, not a resident, should be submitted.

In the case of a non-veteran spouse in a nursing home, where the veteran is still alive, the VA application 21-526 does not have a provision for disclosing the spouse receiving nursing home care. The spouse nursing home cost might be eligible for annualization of medical expenses. We recommend submitting a letter along with the certification from the nursing home that the spouse is a patient. We also suggest this letter request annualization or prospective treatment of the nursing home costs. We also recommend checking the box indicating residency in a nursing home even though it is not for the veteran.

This may confuse the Veterans Service Representative and even cause the application to come back, but it is a wasted application anyway if VA does not approve annualization of costs for the non-veteran spouse.

A veteran in a nursing home will receive a rating for aid and attendance, but the non-veteran spouse of a living veteran will not. Of course, a death claim is different because the surviving spouse can receive a rating in that case. If VA allows annualization of nursing home costs for a non-veteran spouse of a living veteran, there will be no allowance for aid and attendance, and the Pension award will be much smaller.

### **Retaining VA Benefits and Imputed Income**

VA will not pay anything more than \$90 a month if a single veteran or single surviving spouse is eligible for Medicaid covered nursing home care. State veterans homes are exempt from this ruling and those state homes that also accept Medicaid often end up with a surplus of income for

the veteran. This is because Medicaid rules are not supposed to apply the allowance for aid and attendance or housebound to the cost of the facility.

This extra \$200-\$300 a month allowance can be used to provide extra services or goods to the veteran. This money must be spent because if it is allowed to accumulate it will disqualify the beneficiary for Medicaid by pushing the allowable assets above \$2,000. Accumulations may also affect the Pension benefit as well. Some state veterans homes report pooling this money to provide outings, special parties, fishing trips and so on for their residents.

For purposes of income, VA will not count Medicaid payments as income for someone residing in a nursing home. However, Medicaid does consider VA Pension to be income that must be applied towards the cost of care. As mentioned above, Medicaid rules require excluding the allowance for aid and attendance or housebound as income.

We have been told by some state veterans organizations that not all state Medicaid departments honor this rule and will count the allowance as income as well. Also, counting Pension income for those states that have an income test for Medicaid may create a problem for Medicaid eligibility.

The most VA will pay to offset the cost of a nursing home is \$1,843 a month for a couple, \$1,555 a month for a single veteran or \$999 a month for the single surviving spouse of a veteran.

With nursing home costs ranging from \$5,000-\$7,000 a month, generally the VA benefit cannot cover the difference between the veteran household and the nursing home cost. In most cases there is a deficit. Medicaid will cover the actual difference between the Medicaid beneficiary's income and the cost of the nursing home. Medicaid is therefore a more viable benefit.

For the reasons outlined above, many practitioners feel that trying to dovetail Medicaid with VA payments is not a useful exercise, and for those eligible for Medicaid, applying for Pension might be a waste of time. But there are situations where Medicaid may be available, and the Pension could be a valuable benefit as well. We offer an example of this further on in this booklet where a veteran, going through spend down to qualify for Medicaid, can provide more income that might be used for the spouse at home.

Or Pension income can be used to lengthen the spend down process, and if the veteran dies while going through this process, valuable assets have been retained.

Another use for the Pension benefit associated with nursing home care is where the single veteran or surviving spouse might be eligible for Medicaid, but there is a statewide waiting list for Medicaid beds. With the tightening of government purse strings, this situation is more likely to occur in the future. The Pension benefit allows the veteran, the surviving spouse or his or her family additional money to cover part of the cost of private pay until a Medicaid bed becomes available.

For the beneficiary who is eligible for Medicaid and has dependents at home, sharing the Pension with Medicaid may be more useful than allowing Medicaid to pay the entire bill. Some state



Medicaid programs encourage veterans with dependents to apply for Pension because it reduces Medicaid's liability for the cost. Those states should allow the aid and attendance allowance income to be retained by the veteran instead of applying it to the cost of care. The veteran should have a right under Medicaid rules to transfer this money to the spouse at home. Whether this affects minimum spousal income allowances, we do not know. For those spouses at home who do not need a minimum income allowance, presumably, this could represent extra income.

***Hypothetical Case Example (Veteran and Spouse -- Veteran in a Nursing Home)***

This case illustrates the maximum benefit available to a single veteran with aid and attendance allowance. Residency in a nursing home automatically includes the aid and attendance allowance. The case was specifically designed to illustrate how Medicaid and veterans Pension could dovetail in providing more income. As a general rule, VA Pension does not work well with Medicaid unless there is a spend down as in this case or the nursing home has no Medicaid beds. If Medicaid is available, it is unlikely that VA Pension would be needed.

\*we highly recommend in cases such as this one that you contact a consultant who is proficient in both planning for VA benefits and in Medicaid planning. To try and understand what the best solution is by yourself is probably not possible without a thorough knowledge of both Medicaid and Pension.

John is 84 years old and is a veteran of World War II. He did not serve in a combat zone. Mary, his wife, is 79 years old. John is a large man and has many medical problems. He takes a variety of expensive prescription drugs and has difficulty attending to his own needs without help. Mary is a frail woman and has difficulty helping him get out of bed, dress, bathe and move about. John also suffers from mild dementia and is often confused and Mary is concerned about leaving him alone. It is difficult for John to leave his home without using a walker and an aide to help him.

John and Mary have a combined income of \$2,400 a month which consists of Social Security for both, a small Pension and interest income. They have \$66,000 in retirement savings and own a house and a car. They also have \$120,000 available to them as a reverse mortgage equity line of credit if they choose to exercise this option. They are not required to pay anything other than the closing costs for this line of credit as long as one or both of them is alive and living in the home. In other words, there are no monthly loan payments. The potential line of credit will grow by earning 6% interest as well.

John has a nasty fall and breaks his hip. After surgery, a hospital stay and a 30 day stay in a nursing home rehab facility, John's health deteriorates even further. Mary decides she cannot care for him at home and after being told by several assisted living facilities they cannot take him, she finds she must place John in a nursing home.

Because of the differential in cost between the nursing home and their income, John will qualify for the improved Pension benefit with an aid and attendance allowance but in the state in which they live, he will also qualify for Medicaid. VA will not pay more than \$1,843 a month in Pension that could be applied to John's nursing home cost. On the other hand, Medicaid will pay the much higher cost between the nursing home and John's income in lieu of the VA Pension

benefit. Should Mary worry about applying for the Pension benefit knowing that Medicaid may cover the entire cost of the nursing home and allow a guaranteed spousal income as well?

In this particular example Mary could come away with more money for her personal needs by using both the VA benefit and Medicaid.

To understand why the combination of the two benefits is better we need to understand how Medicaid works.

Suppose John and Mary do not have the VA benefit. Medicaid will not start paying for John's nursing home costs until he has spent his portion of the family assets down to less than \$2,000. In the state in which he resides, John is responsible for spending \$33,000 of their \$66,000 in retirement savings. He can spend this on anything he wants but in this case the money needs to go towards the nursing home or he won't have a place to live.

John's income is \$1,800 a month and Mary's income is \$600 a month. The cost of the nursing home is \$5,000 a month. John must pay \$3,200 a month out of his \$33,000 of spend down money to the nursing home. After 10 months John will be below \$2,000 and Medicaid will take over paying the \$3,200 a month. Or Mary could take whatever income she needs, perhaps the full \$2,400 a month, and let John spend the \$33,000 for the nursing home in which case he would qualify for Medicaid in about 6 months. After Medicaid takes over, John's income must go towards the nursing home.

In addition to \$600 a month, Mary has her own \$33,000 and she also has access to \$120,000 in the reverse mortgage which if left in the line of credit will not count against John qualifying for Medicaid. On the other hand, income from the reverse mortgage could affect the veterans benefit so she will probably have to wait until John is on Medicaid.

Medicaid will also not impoverish Mary completely and in the state where Mary resides, Medicaid will give her back \$1,093 a month from John's income to bring her income to \$1,693 a month. This is called the "community spouse monthly income allowance". But this is only available after John has spent down his \$33,000 and qualifies for Medicaid. Mary has to live on something else in the meantime.

Now let's suppose that Mary helps John apply for the VA Pension with aid and attendance and Medicaid at the same time. John must spend his share of the assets before he becomes eligible for Medicaid. As John goes through his spend down, VA will also provide additional money for this period of time. The benefit estimate is in the table below.

Estimating the Pension Benefit with Aid and Attendance Allowance		
Total Family Income	Calculate Countable Income	Calculate Pension Benefit
family income \$2,400	family income \$2,400	allowable benefit \$1,843

pension benefit	\$1,843	unreimbursed medical	\$3,310	less countable income	\$0
total income	\$4,243	countable income	-\$910	pension benefit	\$1,843

Please note VA calculates benefits and costs on an annual basis and divides by 12

John and Mary have an additional \$1,843 a month to use for income or to apply to the nursing home while John is going through his spend down. Over the period of months where John is applying his spend down money, this is an additional \$10,800 to \$18,000 (depending on the spend down period) that they have that wouldn't be there without the VA benefit.

After John becomes eligible for Medicaid, things get complicated. Medicaid does not count as income for VA purposes but VA Pension does count as income for Medicaid purposes. Whether the combination of the two benefits or Medicaid alone is better must be considered case-by-case. Such things to consider are the spousal minimum income allowance from Medicaid or whether Medicaid's payments on behalf of John will become part of a recovery effort by the state. If John were single, the solution would be simple. VA quits paying all of its benefits except for \$90 a month when John becomes eligible for Medicaid.

When John dies, Mary's lower income may qualify her for a death benefit Pension from the VA.

## **Understanding the Application Process for Aid and Attendance Pension**

### **Understanding How Pension fits in at VA**

Pension (aid and attendance benefit) and its sister benefit, Compensation, are two disability income programs available to veterans. Compensation is the more heavily used benefit and is available to veterans who have service-connected disabilities. VA estimates about 35% of all currently discharging veterans will apply for Compensation some time during their lives. Pension is a lesser used benefit and a lesser known disability income that is available to veterans who served during a period of war. Pension is available to war veterans who are non-service-connected disabled or age 65 and older. Special death benefit arrangements related to these two disability programs are also available to surviving dependents of veterans.

Claims for Compensation and Pension are submitted on the same application form and VA can grant either one. Generally, Compensation is the more desirable benefit because there is no income or asset test and it is not taxable as income. Pension works best for veteran households with very low income who do not qualify for Compensation. Pension also fits well for veteran households incurring the high costs of long term care services and in these cases may be a better alternative to Compensation.

In 2008, the Compensation and Pension program expects to serve 3,733,100 beneficiaries and pay out annually \$41,058,000,000. This represents almost half of VA's 2008 fiscal year budget. The Compensation and Pension program plans on processing about 800,000 claims in 2008 related to these two benefits.

## The Department of Veterans Affairs

In terms of number of employees, the Department of Veterans Affairs is the second largest federal agency, employing over 218,000 full-time workers. The Secretary of Veterans Affairs is a member of the President's Cabinet.

VA is divided into three benefit divisions:  
 Veterans Health Administration -- VHA  
 Veterans Benefits Administration -- VBA  
 National Cemetery Administration -- NCA

There are also numerous other administrative and support divisions in the Department of Veterans Affairs devoted to supporting the 8 legislated benefit programs available to veterans. These benefit programs are listed in the table that follows.

### Participation in VA Programs

Program Participation Category	Estimated FY 2008 Participants <sup>(1)</sup>
<b>Medical Care</b>	
Unique Patients	5,819,200
<b>Compensation</b>	
Veterans	2,879,300
Survivors/Children	340,700
<b>Pension</b>	
Veterans	320,400
Survivors	192,700
<b>Education</b>	
Veterans/ Servicemembers	345,500
Reservists	154,000
Survivors/ Dependents	86,400
<b>Vocational Rehabilitation</b>	
Program Participants	94,500
<b>Housing</b>	
Loans Guaranteed	180,000
<b>Insurance</b>	
Veterans	1,583,600
Servicemembers/ Reservists	2,387,500
Spouses/ Dependents	2,982,000
<b>Burial</b>	
Interments	104,900
Graves Maintained	2,922,100
Headstones/Markers (Processed)	344,900
Presidential Memorial Certificates	384,300

<sup>(1)</sup>Figures are rounded to nearest hundred.

The National Cemetery Administration with 1,582 employees and an annual budget of \$167 million is the smallest division of VA. It oversees cemeteries for veterans and the grave marker program.

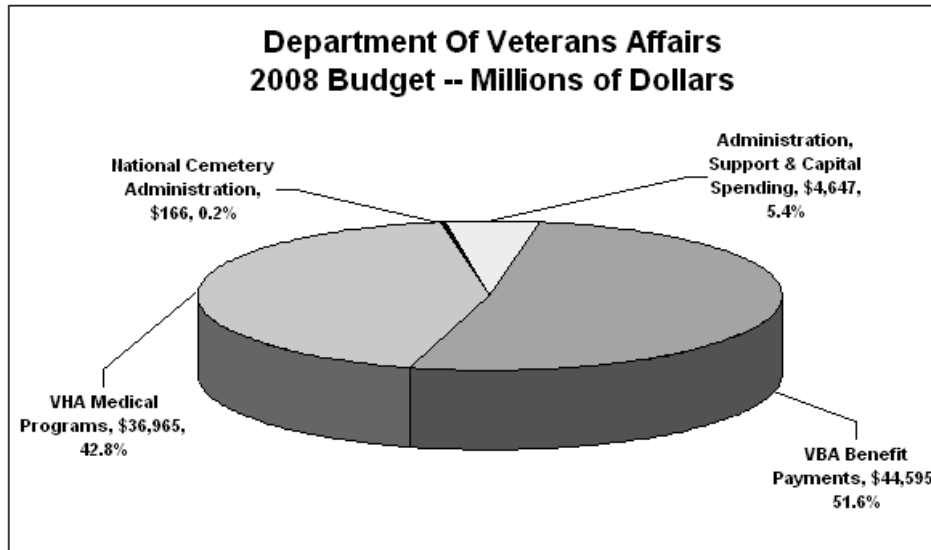
Veterans Health Administration -- another division of Veterans Affairs -- is the largest single provider of integrated health care in the United States . With a little over 197,000 employees, it serves 5,819,200 patients providing comprehensive medical care which also includes prescription drugs, long-term care services, counseling, prosthetics and orthotics, hearing clinics, vision clinics and limited dental services and eyeglasses for a select number of veterans.

Not all veterans can get into the health care system because of funding limitations, and Veterans Health is now limited to income means-tested veterans and veterans with service-connected disabilities. Veterans health care has in recent years been cited by the media as being the best health care service in America , based on treatment outcome and patient satisfaction.

The Veterans Benefits Administration -- the third division of Veterans Affairs -- manages the Compensation and Pension programs, tuition assistance for veterans and reservists, vocational rehabilitation and employment services, VA guaranteed housing loans and stipends for certain veterans for burial and grave markers. VBA also administers six life insurance plans for certain veteran, reservist and active-duty service groups and oversees two additional life insurance plans administered by The Prudential Insurance Company.

The Department of Veterans Affairs owns 30,217 acres of land and 5,558 buildings; operates 155 hospitals, 717 ambulatory care and community-based outpatient clinics, 133 nursing homes, 206 community-based outpatient psychiatric clinics, 57 regional benefits offices, and 120 national cemeteries.

Following is the 2008 proposed budget for the three divisions: VHA (Veterans Health Administration), VBA (Veterans Benefits Administration) and NCA (National Cemetery Administration). Administration and support is also included in the pie chart.



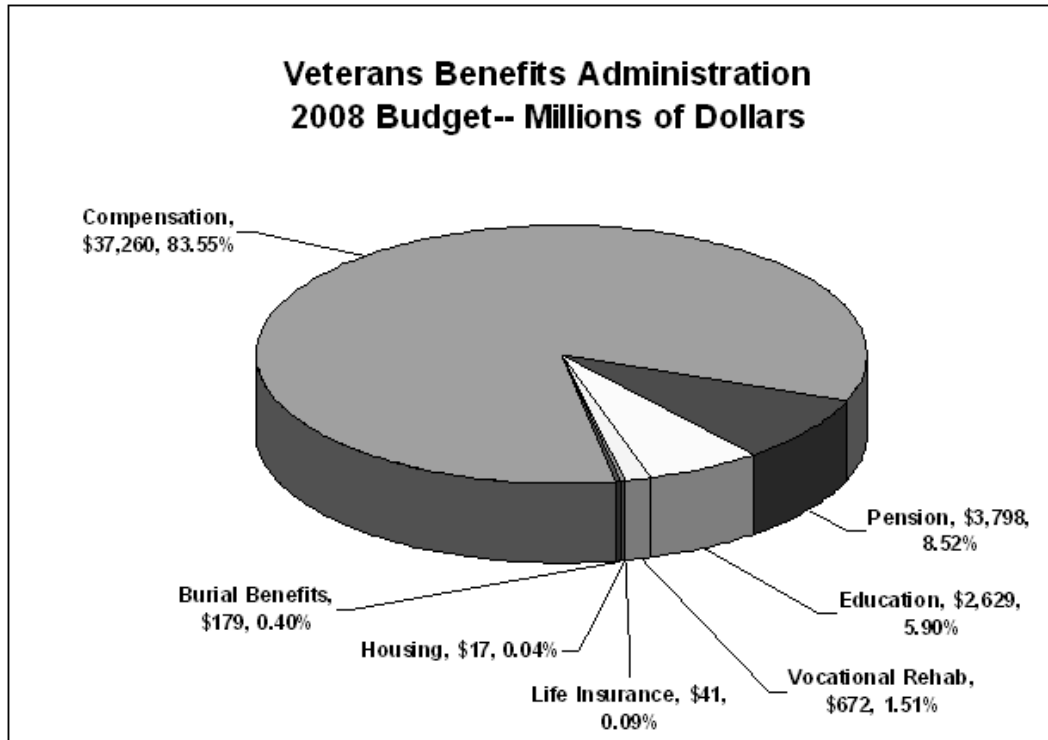
### **The Veterans Benefits Administration**

The VBA administers its benefit programs through 57 regional offices located in 49 states (Wyoming is not included), the District of Columbia, Puerto Rico and the Philippines. Each state-- except Wyoming -- has a least one regional office but California has three RO's and Texas, Pennsylvania and New York each have two offices.

Compensation, Pension and burial benefits are managed out of each of the 57 offices for the territory in which the office is located. With the exceptions of the larger states mentioned above, the territory of each regional office is the state in which it is located. States with more than one regional office serve specified geographic areas in that state. Life insurance is managed out of the Philadelphia office and loan guarantees are headquartered out of nine designated regional offices. Pension Eligibility Verification Reports (EVR's) and income matching for Pension are administered in the St. Paul, Philadelphia and Milwaukee regional offices.

VA is proposing to move all Pension applications to these three Pension administration offices sometime in the future and to put much of the annual reporting and application procedures for Pension on the Internet for online input. Whether this is a positive or negative move for Pension applications is not known at this point.

Below is the 2008 proposed budget for VBA:



### **The Compensation and Pension Function of the VBA**

It is clear from the chart above that the Compensation and Pension function in regional offices consumes about 92% of the budget for VBA and its regional operations. These two programs also utilize most of the staff as well. Out of a projected 2008 number of 13,065 employees in the regional offices, 9,559 workers -- 74% of the total -- will be dedicated to Compensation and Pension. Compensation, by itself, uses about 84.2% of the manpower devoted to Compensation and Pension Activities -- about 8,000 employees.

In 2008, VA expects to process about 720,000 actions related to Compensation. Of these, about 248,000 are expected to be first-time claims and about 448,000 or 52%, are expected to be claims reopened for consideration of additional benefit.

In 2008, VA expects to process a little over 400,000 actions related to Pension. Of these, about 91,500 are expected to be first-time claims for Pension or Death Pension. About 48,000 actions are expected to be Pension cases reopened for consideration.

From the statistics we can infer that first-time Compensation claims are expected to be about 2 1/2 times the number of first-time Pension claims. Compensation cases reopened for new consideration are expected to be about 10 times the number of Pension cases reopened. VA estimates its service representatives, in the regional offices, process on average about 100 applications for Pension a year for each employee assigned to the Pension activity.

In 2008, VA expects 2,879,329 veterans to be receiving an average Compensation rate of \$11,258 a year for a total of \$32,416,448,000. VA expects 340,702 survivors of veterans to be

receiving yearly average death Compensation-related benefits of \$13,695 for a total of \$4,667,027,000.

In 2008, VA expects 320,378 veterans to be receiving an average yearly Pension benefit of \$8,999 for a total benefit of \$2,883,170,000. VA expects in 2008 to be paying 192,656 survivors a Death Pension benefit average of \$4,619 a year for a total of \$889,971,000.

### **Pension Claims Processing in the Regional Office**

Applications for first-time Pension claims are mailed to the regional office of the State in which the claimant resides. For those States with more than one regional office, the claimant must find out which area the office serves and mail the application to the appropriate regional office.

Upon receiving an original application for claim in the office, workers will date-stamp the document and send a verification letter back to the person making application. This date becomes the effective date of the claim. If an award is granted, retroactive payments are made back to the first of the month following the month of the effective date. After making copies of and certifying the original discharge papers, these papers will also be sent back to the applicant.

VA has divided the application process into an assembly line where each function along the line has a responsibility for acquiring information, documentation and follow-up for additional information. When a claim is fully developed for a rating decision -- which is required with many Pension claims -- it is sent to the Rating Team for a final decision. Finally, the claim is handed off to a post determination team that handles final notifications, arrangements for payment and so on.

This assembly-line system requires the handling of claims folders many times by a number of people and it is not an efficient way to process claims. Veterans Service Representatives spend a great deal of time trying to match documents that come in the mail with the appropriate folder. According to reports from applicants, it is common for VA to request documents that have already been submitted. VA, on the other hand, asserts this is an efficient system but not in time-of-handling but in the costs involved in the process.

In 2006, VA reported that the average Compensation/Pension claim required 177 days for approval or denial -- almost 6 months. This was the average or "mean." The "median" -- the point halfway between equal numbers of claims in process versus claims approved -- was 154 days. When the mean is larger than the median this means some cases are going much longer than 177 days, thus distorting the average number towards the higher-end. Some claimants report waiting more than a year or two for a final decision. VA has pledged in 2008 to reduce the average claims time for applications requiring a rating to 145 days. This is still almost 5 months while awaiting a decision.

### **The Rating Team**

The Rating Team's primary function is to make a determination on claims that have been developed to such an extent that a rating decision can be attempted. A Veterans Service



Representative who has been trained to do ratings is competent to determine disability levels based on medical information from doctors records or reports. For Compensation claims, this expertise requires determining a level of disability such as 10% disabled or 30% disabled or so on. The majority of Compensation claims require a determination of disability. DIC claims may not require a rating depending on how the veteran died.

Claims for Pension require the rating activity to determine initial eligibility for veterans younger than 65 based on the requirement for total disability. A Rating VSR must also determine from medical information whether there is an additional need for aid and attendance or if the claimant is housebound. Finally, the rating activity for Pension must determine whether the level of household assets might disqualify a claim. Not all applications for Pension require a rating.

When the term "rating" as used in conjunction with Pension, it can mean two things. Rating can mean that the claim was awarded or denied based on a decision by the Rating Team in the regional office. Rating can also mean that an additional allowance for aid and attendance or housebound was awarded. These allowances are often called "ratings."

### **Getting a Pension Claim through the System Faster**

A so-called "triage" team in the regional office examines all original claims for accuracy and completeness of information. If the claim is unsigned or if important boxes are left blank, these deficiencies are marked in red and the application form is sent back requiring resubmission. If discharge papers are not included, this could slow down the process by possibly two months. If a proper VA power of attorney has not been prepared, another two months might go by while awaiting the proper document.

Triage team members are looking for a claim that is "substantially complete." Claims that seem to have all the requirements are passed on to the Pre-Determination Team. This team determines the need for additional documentation in order to prepare the claim for a rating if a rating is necessary. If a rating is not necessary, a final decision could be made at this point.

If the claimant is accurate in filling out the form, in providing proper discharge papers and proof of relationship, and in providing the proper VA power of attorney or guardianship proof, the initial claim is well on its way to being approved more quickly.

Another important issue in submitting a well-documented claim is knowing, in advance, what evidence and documents are required for a rating decision. By providing those documents upfront and not waiting for VA to come back with a request, the claim can be passed by the triage team immediately to the rating activity for a final decision. This might cut the time for a decision to two or three months.

The secret to shortening the time from submission to a decision is to anticipate all of the documentation requirements that are necessary and submit them with the original application.

## **Submitting a Claim for the Veterans Aid and Attendance Pension Benefit**

### **Two Types of Pension Claims**

As mentioned in a previous section, there are two types of Pension applications. The first of these are applications for veteran households with low income and few assets. For living veterans under the age of 65, medical evidence must also be submitted for proof of total disability. For living veterans, age 65 and older, there is no requirement to be disabled. Single surviving spouses of veterans also have no requirement for disability. These low income applications may or may not have a need for an additional rating to receive an aid and attendance or housebound allowance.

The second type of application is one where the household may have higher income and assets but one or more members of the household are incurring the high costs of long term care. These costs may be for the following types of services:

- Paying members of the family to provide care at home
- Paying professional providers to provide care at home
- Paying for the cost of adult day care
- Paying for the cost of assisted living
- Paying for the cost of a nursing home

These types of claims require medical evidence in order to receive a rating for aid and attendance or housebound allowances. These ratings must be received or the medical expenses associated with long term care are not deductible from income.

These claims also warrant special treatment for deducting the annual cost of care from household income. This requires special documentation and evidence. In addition, those households with substantial assets will be disqualified for a Pension income unless those assets can be removed from the estate. If assets appear to be disqualifying, a claimant should contact a qualified consultant who can provide advice for asset reallocation strategies.

Claims for this second type of application are the more challenging and difficult claims to process and we recommend you use a consultant to help you with these types of claims. Here are the forms associated with submitting the Pension claim:

VA Form 21-526 -- Veteran's Application for Compensation and/or Pension, Parts A,B,C, & D  
VA Form 21-534 -- Application for Dependency and Indemnity Compensation, Death Pension and Accrued Benefits by a Surviving Spouse or Child (Including Death Compensation If Applicable)

SF 180 -- Request Pertaining to Military Records (Used to obtain discharge record)

VA Form 21-22a -- Appointment of Individual as Claimant's Representative (POA for claim)

VA Form 21-0779 -- Request for Nursing Home Information in Connection with Claim for Aid and Attendance

VA Form 10-10EZ -- Application for Health Benefits (Veterans receiving Pension are guaranteed health benefits without co-payment)

VA Form 10-0103 -- Veteran's Application for Assistance in Acquiring Home Improvement and Structural Alterations (HISA) (available to Pension recipients with ratings)

Form 1 -- Statement of Attending Physician (Used to determine rating for A&A or HB) **This is our own form and not a VA form.**

Form 2 -- Care Provider Report (Used to provide evidence of recurring medical expenses) **This is our own form and nA form.**

Form 3 -- Health Insurance Premiums (Used to provide evidence of recurring medical expenses) **This is our own form; not a VA form.**

Form 4 -- Claimant's Certification (Verifies out-of-pocket costs for unreimbursed medical expenses) **This is our own form and not a VA form.**

## **Death Claims and Special Benefits**

### **Death Benefits Available from VA Form 21-534**

Death benefits are available for a single surviving spouse of a veteran or for a dependent child of a veteran or for parents of a veteran who died during the war. The following benefits are available for surviving spouses and dependent children:

- Dependency and Indemnity Compensation (DIC),
- Death Pension,
- accrued benefits and
- burial and Memorial benefits

DIC, death pension and accrued benefits are claimed on VA Form 21-534. Burial and Memorial benefits are claimed on VA Form 21-530. DIC and death pension are covered in detail in Chapter 4. The claims process for compensation and pension is basically the same as the process for compensation and pension outlined above on VA Form 21-526 -- the form used for living veterans. The documentation and request for ratings and recurring prospective medical payments is the same as outlined in sections above. We will discuss below accrued benefits and burial and Memorial benefits.

### **Accrued benefits**

Accrued benefits are benefits that may have been payable to the veteran before his or her death. Most commonly these are benefits that were being applied for but the veteran died before a decision was made. This could be compensation or pension. The rule is if VA had all of the necessary paperwork in order to make a decision and a favorable decision would have been the outcome than the surviving spouse or a dependent child of the veteran is entitled to the benefit that would have been paid. If there is a larger death benefit available to the spouse, the larger of the accrued or death benefit is paid to the spouse or dependent child. The benefit is payable in the month of the veterans death.

As an example VA receives the veteran's application for pension or compensation on June 15, 2007 and all of the paperwork has been submitted up until September 29 when the veteran dies. The surviving spouse notifies VA of the death and immediately a VA Form 21-534 is sent to her. She files the form and depending on the decision from VA, she potentially has a choice of three benefits. If the decision for the deceased veteran is favorable she may be entitled to either compensation or pension payable for the month of September. The surviving spouse may also be entitled to a death pension and may choose to take that if it is a larger amount.

If there is no surviving spouse or dependent child to pay an accrued benefit then VA will pay the cost of final expense and burial to the person who had to pay these costs. These would be costs that were not reimbursed by insurance or prepaid plans. VA sends a special form to the person who took care of the final arrangements and appropriate paperwork must be submitted to make a claim.

### **VA Burial Allowances**

VA burial allowances are partial reimbursements of an eligible veteran's burial and funeral costs. When the cause of death is not service-related, the reimbursements are generally described as two payments: (1) a burial and funeral expense allowance, and (2) a plot interment allowance.

You may be eligible for a VA burial allowance if:

- you paid for a veteran's burial or funeral AND
- you have not been reimbursed by another government agency or some other source, such as the deceased veteran's employer and

- the veteran was discharged under conditions other than dishonorable.

In addition, at least one of the following conditions must be met:

- the veteran died because of a service-related disability or
- the veteran was receiving VA pension or compensation at the time of death or
- the veteran was entitled to receive VA pension or compensation, but decided not to reduce his/her military retirement or disability pay or
- the veteran died in a VA hospital, in a nursing home under VA contract, or while in an approved state nursing home.

**Service-Related Death.** VA will pay up to \$2,000 toward burial expenses for deaths on or after September 11, 2001. VA will pay up to \$1,500 for deaths prior to September 10, 2001. If the veteran is buried in a VA national cemetery, some or all of the cost of transporting the deceased may be reimbursed.

**Nonservice-Related Death.** VA will pay up to \$300 toward burial and funeral expenses, and a \$300 plot-interment allowance for deaths on or after December 1, 2001. The plot-interment allowance is \$150 for deaths prior to December 1, 2001. If the death happened while the veteran was in a VA hospital or under VA contracted nursing home care, some or all of the costs for transporting the deceased's remains may be reimbursed.

You can apply by filling out VA Form 21-530, Application for Burial Benefits. You should attach proof of the veteran's military service (DD 214), a death certificate, and copies of funeral and burial bills you have paid.

### **Other Death Benefits**

Burial in VA National Cemeteries

Headstones and Markers

Presidential Memorial Certificates

Burial Flags

### **HISA Grants**

If our readers are interested in applying for one of these grants they should contact an attorney, a financial adviser or a home care agency that is familiar with the application process.

Title 38 United States Code (U.S.C), Section 1717, is the statutory authority for the Secretary of Veterans Affairs to provide Home Improvements and Structural Alterations (HISA) grants to eligible veterans. Public Law 102-405 increased the lifetime benefit limitation for service connected veterans HISA benefits from \$2,500 to \$4,100, and non-service connected veterans HISA benefits from \$600 to \$1,200.

The HISA benefit is limited to the improvement and structural alterations necessary only to assure the continuation of treatment and/or provide access to the home or to essential lavatory and sanitary facilities. NOTE: It does not include those improvements which would serve only to lend comfort to the individual or make life outside the health care facility more acceptable.

Here are the types of projects that HISA grants will pay for. This is not all-inclusive and other appropriate projects may be approved.

- (1) Roll-in showers.
- (2) Construction of wooden or concrete, permanent ramping to provide access to the home.
- (3) Widening doorways to bedroom, bathroom, etc., to achieve wheelchair access.
- (4) Lowering of kitchen or bathroom counters and sinks.
- (5) Improving entrance paths and driveways in immediate area of home to facilitate access to the home.
- (6) Construction of concrete pads and installation of exterior types of wheelchair lift mechanisms if the installation cost exceeds \$500.00.
- (7) Interior and exterior railing deemed necessary for patients with ambulatory capability or for veterans rated legally blind if the installation cost is over \$500.00.