

## **Fact Sheet -- Understanding the Veterans Pension Benefit (Commonly Called Aid and Attendance)**

### **Why is it important for government agencies, care providers or eldercare advisers to know about Pension?**

The national care planning Council estimates that approximately 11.5 million seniors -- about 33% of all people over 65 -- could qualify for Pension or Death Pension by meeting the tests outlined in this fact sheet. That's how many war veterans or their surviving spouses or their living spouses there are in this country. Unfortunately, few people know how to get this benefit and currently only about 543,000 individuals are actually receiving it. This represents only 4.7% of those who could be eligible.

As a professional, dealing with the public and advising them on long term care issues or retirement planning, you need to help spread the word about this extremely valuable benefit. A benefit that is very much underused. The information in this fact sheet is designed for you and will help you understand this benefit. Please feel free to copy this material and use it in any way you see fit. You have our permission to do this. A Word document version is also available at the following link: [www.article-2008-7-29.doc](http://www.article-2008-7-29.doc) There is also a PDF version available at this link: [www.article-2008-7-29.pdf](http://www.article-2008-7-29.pdf)

The key to getting this valuable additional income for people you advise or help is your educating your people on what documents and evidence need to be submitted with the claims form. It is extremely important for the veteran household to submit a substantially complete claim to avoid being denied or to avoid stretching the application process out a year or more. This unfavorable claims experience is usually the case with those people who make application and don't know this important secret. The information you provide might enable those who would submit a claim to receive a favorable decision within 3 to 6 months. By the way, benefits are paid retroactively to the first day of the month following the month in which a claim is received by VA.

Having a knowledge of how Pension works and how the application process should be done can be a valuable tool in bringing new people to you for advice or for your services. There are also compliance issues and as a general rule, if you are not accredited by VA to help with the application process, you are prohibited from helping someone file a claim whether you charge a fee or not.

Our new veterans benefits consultants package has been designed for non-government care providers or advisers such as elder law attorneys, financial products practitioners, home care providers and care managers. Our package provides the following benefits to these individuals.

- Our Internet and seminar marketing strategies will bring in new clients or customers not just for VA benefits but for other services that providers or practitioners or advisers offer.

- Our lead system, tied to each consultant's, customized website and serviced by the National Care Planning Council, will produce numerous direct requests from the public to each consultant for information on how to obtain the Pension benefit.
- Our scores of pages on compliance issues will teach practitioners how to understand the prohibitions on helping with claims and yet provide a valuable service to their clients or customers and remain within the law.
- Attorneys and financial practitioners are introduced to new business strategies that will open up new areas of planning opportunities and new markets for their services or products.
- Home care providers and care managers will find the money for clients to pay for their services and in addition by finding this money be able to reach out to new clients who would not have the money without this benefit

To learn more about the National Care Planning Council and how to become a veterans benefits consultant, please go to [www.consultantspackage.com](http://www.consultantspackage.com) or call us at 800-989-8137

## What is Pension?

Improved Pension and Death Pension are disability income programs available to veterans or to the single surviving spouses of deceased veterans. The veteran had to have served on active duty at least 90 days with one of those days during a period of war. Service in combat is not required, only that the veteran was in the service during wartime and was discharged honorably. Charts showing the available amount of income and the dates for wartime service are included below.

There is a sister benefit to Pension called Compensation. This is for veterans who are disabled because of injuries or illnesses incurred while on active duty. Compensation is generally the more desirable benefit for a number of reasons we will not go into here. A veteran household cannot receive Pension and Compensation at the same time. A decision must be made as to which benefit is better and the veteran must choose only that benefit.

<b>Period of War</b>	<b>Beginning and Ending Dates</b>
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

In order to receive the benefit, a veteran household must meet the criteria above as well as meeting an income and an asset test and, in most cases, a medical needs test.

***The Medical Needs Test*** If the veteran is younger than age 65, he or she must be totally disabled to receive the benefit. Medical evidence must be submitted for these types of applications. At age 65 and older there is no requirement for disability. For a single surviving spouse applying for a Death Pension benefit, the deceased veteran did not have to meet any disability requirements nor does the surviving spouse need to meet any disability requirements, regardless of age.

VA will also provide additional income in the form of an allowance to the basic benefit if the veteran or the surviving spouse has a regular medical need for assistance or supervision due to disability. If the non-veteran spouse of a living veteran has a regular medical need for assistance or supervision, under certain conditions, a benefit (not an allowance) may be available for the veteran that otherwise would not have been available. Allowances are granted for the regular need for "aid and attendance" or if the beneficiary is "housebound."

A medical need for assistance or supervision due to disability is in most cases crucial to getting the Pension benefit or not getting it. A medical rating or a medical need for this disability care allows certain medical expenses and ancillary non-medical expenses to be annualized and subtracted from future annual income in order to meet the income test. Most veteran households could not get the Pension benefit without this special provision allowing the deduction of annualized medical and non-medical expenses associated with disability.

The high cost of medical and non-medical expenses associated with long term care such as home care, assisted living or nursing home care are usually the trigger that allows medical deductions to qualify a veteran household for Pension. That is why only 4.7% of all eligible individuals are actually receiving Pension. Other eligibles don't know about this special provision allowing them to meet the income test or they are currently not in need of long term medical care.

Most of those people currently receiving pension have low incomes and few assets and have met both the income and asset tests without the need for the special provision for medical expense deductions to reduce income.

***The Income Test*** The household income of the veteran or the surviving spouse cannot exceed the Maximum Allowable Pension Rate (MAPR) for that category of application. (We list 9 categories of pension income applications in the section on how pension is calculated.) As an example, a husband and spouse with no medical rating cannot have a combined income of more than \$1,220 a month or \$14,643 a year from all sources. As another example, a single surviving spouse with an "aid and attendance" medical rating cannot make more than \$998 a month or \$11,985 a year from all sources.

If a potential applicant were to call a local regional office, the Veterans Service Representative on the phone would typically ask about the amount of household income, the amount of assets and the medical status. The VSR would check his or her table similar to ours below and if the household income exceeds the MAPR for that particular type of application category, the person

calling the office would probably be told there is no benefit. In many cases this is simply not true. Keep in mind, however, some VSR's are aware of the special medical deduction and may not discourage callers in cases such as these.

The household income can be reduced to meet the Pension income test under the special conditions we have mentioned above. This allows households earning \$2,000 to \$6,000 or more a month to qualify even though their current non-adjusted income does not meet the income test.

Let's use an example to show how this works. Suppose a veteran and spouse earn \$4,000 a month and the veteran has a medical need for "aid and attendance." They do not meet the income test of making less than \$1,842 a month or \$22,113 a year for this particular MAPR. However, VA will allow the household income to be reduced by any unreimbursed medical expenses that are incurred in the month of application or any expenses that recur regularly over the coming 12 months. A good example of a recurring expense is the cost of medical insurance such as Medicare Part B (\$96.40 a month)

In this example, VA will take all sources of income over the next 12 months and add them together. Assume that the only source of income is the recurring \$4,000 a month from Social Security and retirement pensions. In this case, VA uses \$48,000 as the starting point for the income test. Next, medical expenses are added up. The family reports \$500 of medical expenses in the month of application and \$192.80 (the amount both are paying) a month for unreimbursed Medicare Part B premiums. The veteran is also in an assisted living facility and is paying \$3,500 a month for this care which is also unreimbursed. Payment for assisted living is coming from savings and income. Only recurring medical expenses can be deducted and the assisted living facility reports that medical services from the assisted living personnel are \$200 a month. The rest of the cost is for room and board. Assisted living medical expenses amount to \$2,400 a year.

All medical expenses in the month of application and those that are expected to recur every month over the next 12 months (beginning on the first day of the month following the month of application) are added together and they total \$5,213.60. Next, VA subtracts a deductible equal to 5% of the basic MAPR which is \$732. After the deduction, the allowable medical expense now totals \$4,481.60. This amount is subtracted from the \$48,000 prospective 12-month income in order to arrive at a new income called "countable" income or IVAP. This new income will be used for the income test. It is obvious this \$4,481.60 of medical expense will not bring the household countable income below \$22,113 a year to pass the income test.

Before we give up with this example, we need to make you aware there is a special provision in the rules that allows all of the veteran's costs for assisted living to be counted as deductible medical expenses. This has to do with a so-called "rating." We won't go into the necessary evidence or paperwork required for a rating but assuming our veteran gets this rating, he can now count his entire cost of assisted living or \$42,000 towards determination of his income test. Along with his other medical expenses he can now use \$44,081.60 towards his medical expenses—adjusted for the deductible. Subtracting that amount from his \$48,000 of income he now has a countable income of \$3,918.40 which puts him well below the MAPR of \$22,113. Subtracting the countable income from MAPR gives him an award from VA of \$18,194.60 or \$1,516 a month in additional income. This is on top of the income he is already making and will help cover the cost of his assisted living.

This special provision for annualizing and deducting non-medical costs associated with a rating also applies to home care costs. Home care costs can include the costs of professional aides or money paid to members of the family (not including the spouse), friends or people hired independently to provide care in the home. The special provision also applies to the non-veteran spouse receiving assisted-living care or home care but in this case there is no rating. Another special rule allows the spouse to deduct non-medical costs associated with medical care for determining countable family income.

### ***The Asset Test***

As a general rule, cash-equivalent, household assets cannot exceed \$80,000. But there is no specific test in the regulations. Veterans Service Representatives in the regional office are required to file paperwork justifying their decision if they allow assets greater than \$80,000. Thus this amount has become a traditional ceiling. Concerning the asset test, the service representative is encouraged to analyze the veteran's household needs for maintenance and weigh those needs against assets that can be readily converted to cash and whether the income from that cash will cover the difference in the household income and the cost of medical care over the care recipient's remaining life span.

In the end, the decision as to allowable assets is a subjective decision made by a service representative. In certain cases a benefit award could be denied unless assets are below \$20,000 or even \$10,000.

A personal residence, a reasonable amount of land on which it sits, personal property and automobiles for personal use are exempted from the asset test.

Assets can be gifted to someone who does not live in the household or a portion of assets can be converted into income through an immediate income annuity. Care must be taken not to create so much income as to reduce the available pension income benefit. Currently, there is no penalty from VA to rearrange assets in this manner as there is with Medicaid. Once the assets have been rearranged or reallocated, the veteran household can apply for the benefit.

Attorneys and financial planners are eager to work with veteran households to help them rearrange assets, to set up legal work for transfers and to help with other estate planning needs in order to qualify a veteran household for a pension benefit.

It is also extremely important that if assets have been moved or otherwise rearranged, a competent Medicaid planning practitioner should be involved. It is very likely that the veteran or the spouse may end up in a nursing home or end up paying more for care than the current income and veteran benefit combined. Nursing homes are very expensive and the individual's income and the veterans benefit rarely pay for the cost of a nursing home. This means the beneficiary may have to rely on Medicaid to cover the deficit. Assets reallocated to qualify for VA benefits could create penalties for Medicaid eligibility. It is vital that the possibility of needing Medicaid should be planned for.

## How is pension calculated?

Pension offers 9 different maximum benefit amounts based on whether the award is for a veteran with a spouse, a single veteran or the single surviving spouse of a deceased veteran. There are also rates associated with additional dependent children. Typically, an older veteran household will have dependent children if they have one or more totally disabled or retarded adult children living in the home. Or the older veteran may be married to a young woman. If the household has such a situation, the additional dependent child rates are listed in Table 1 below.

The calculation of each of these different categories of Pension income will allow for a benefit from zero dollars all the way up to the Maximum Allowable Pension Rate or MAPR for that category. We have listed 9 categories below along with the minimum and maximum monthly Pension income for that category.

1. Veteran and spouse with no rating allowances -- \$0 to \$1,220 per month
2. Veteran and spouse with housebound allowance -- \$0 to \$1,427 per month
3. Veteran and spouse with aid and attendance allowance -- \$0 to \$1,842 per month
4. Single veteran with no rating allowance -- \$0 to \$932 per month
5. Single veteran with housebound allowance -- \$0 to \$1,138 per month
6. Single veteran with aid and attendance allowance -- \$0 to \$1,554 per month
7. Surviving single spouse of a veteran with no rating allowance -- \$0 to \$625 per month
8. Surviving single spouse of a veteran with housebound allowance -- \$0 to \$764 per month
9. Surviving single spouse of a veteran with aid and attendance allowance -- \$0 to \$998/mo

The table below lists current maximum allowable pension rates for 2008 by category of rating or no rating. The medical deductions mentioned in the example above are also listed here.

**Table 1. Maximum Allowable Pension Rates (MAPR) – 12/01/07 to 11/30/08**

Status and Medical Rating of the Veteran Household	The Veteran is Living and Gets Medical Rating		Surviving Spouse of Deceased Veteran Cannot Be Married		Non-Veteran Spouse of a Living Veteran Has Medical Need	
	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly
Veteran and Spouse Medical Deduction					\$14,643 \$732	\$1,220
Housebound Without Dependents Medical Deduction	\$13,664 \$559	\$1,138	\$9,164 \$375	\$763		
Housebound With One Dependent (spouse or child) Medical Deduction	\$17,126 \$732	\$1,427	\$11,478 \$490	\$956		
Aid and Attendance Without Dependents Medical Deduction	\$18,654 \$559	\$1,554	\$11,985 \$375	\$998		
Aid & Attendance With One Dependent (spouse or child) Medical Deduction	\$22,113 \$732	\$1,842	\$14,298 \$490	\$1,191		

Status of the Veteran Household (No Rating)	The Veteran is Living and Gets No Medical Rating		Surviving Spouse of Deceased Veteran Cannot Be Married	
	Yearly	Monthly	Yearly	Monthly
No Medical Rating --Without Spouse or Child Medical Deduction	\$11,181 \$559	\$931	\$7,498 \$375	\$624
No Medical Rating --With 1 Dependent (spouse or child) Medical Deduction	\$14,643 \$732	\$1,220	\$9,815 \$490	\$817
No Medical Ratings --Two Vets Married to Each Other <b>Add</b> for Early War Veteran <b>Add</b> for Each Additional Child	\$14,643	\$1,220		
	\$2,538	\$211		
	\$1,909	\$159	\$1,909	\$159

We have already discussed in our example on meeting the income test how Pension is calculated.

Annualized future household income is totaled and annualized future medical expenses are added up and adjusted with a deductible that equals 5% of the basic MAPR. The adjusted medical expenses are then subtracted from the MAPR to create a new income called "countable income" or also known as IVAP (Income for Veterans Affairs Purposes). A negative IVAP is considered to be zero income. If the IVAP is less than the MAPR for a given application category, then it is subtracted from the MAPR and the difference becomes the annual benefit award for the veteran household. Benefits are paid monthly and therefore the award is divided by 12 and rounded down.

Here are some examples of calculating the Pension award based on three different application categories.

**Example #1** -- Surviving spouse receiving paid home care with aid and attendance allowance. Annual income is \$11,000. 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.

Single Surviving Spouse of a Deceased Qualifying Veteran	
Total 12-month, future income from all sources	\$11,000
5% of MAPR	\$375
Less 12 months future unreimbursed medical expenses adjusted for 5% of MAPR	\$12,322
Total countable income or IVAP	-\$1,322
Single Death Pension MAPR with aid and attendance allowance	\$11,985
Less countable income or IVAP	\$0
<b>Yearly Pension award</b>	<b>\$11,985</b>
<b>Monthly Pension award (yearly divided by 12 and rounded down)</b>	<b>\$998</b>

**Example #2** -- Veteran is in assisted living with aid and attendance allowance. Annual family income is \$48,000. 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.

<b>Veteran Couple with Veteran Paying the Medical Costs</b>	
Total 12-month, future family income from all sources	\$48,000
5% of MAPR	\$732
Less 12 months future unreimbursed medical expenses adjusted for 5% of MAPR	\$38,722
Total countable income or IVAP	<b>\$9,278</b>
Couples Pension MAPR with aid and attendance allowance	\$22,113
Less countable income or IVAP	\$9,278
<b>Yearly Pension award</b>	<b>\$12,835</b>
<b>Monthly Pension award (yearly divided by 12 and rounded down)</b>	<b>\$1,069</b>

**Example #3** -- Non-veteran spouse receiving paid home care. Under VA rules she does not qualify for a rating but she does meet the special medical needs test. Annual family income is \$32,000. 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.

<b>Veteran Couple with Non-Veteran Spouse Paying the Medical Costs</b>	
Total 12-month, future family income from all sources	\$32,000
5% of MAPR	\$732
Less 12 months future unreimbursed medical expenses adjusted for 5% of MAPR	\$31,259
Total countable income or IVAP	<b>\$741</b>
Couples Pension MAPR ( <i>no allowances available for these types of claims</i> )	\$14,643
Less countable income or IVAP	\$741
<b>Yearly Pension award</b>	<b>\$13,902</b>
<b>Monthly Pension award (yearly divided by 12 and rounded down)</b>	<b>\$1,158</b>