# CHAPTER 8. NEEDS

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

## A. HOW DO PENSIONERS ASSESS THEIR CURRENT FINANCIAL SITUATION?

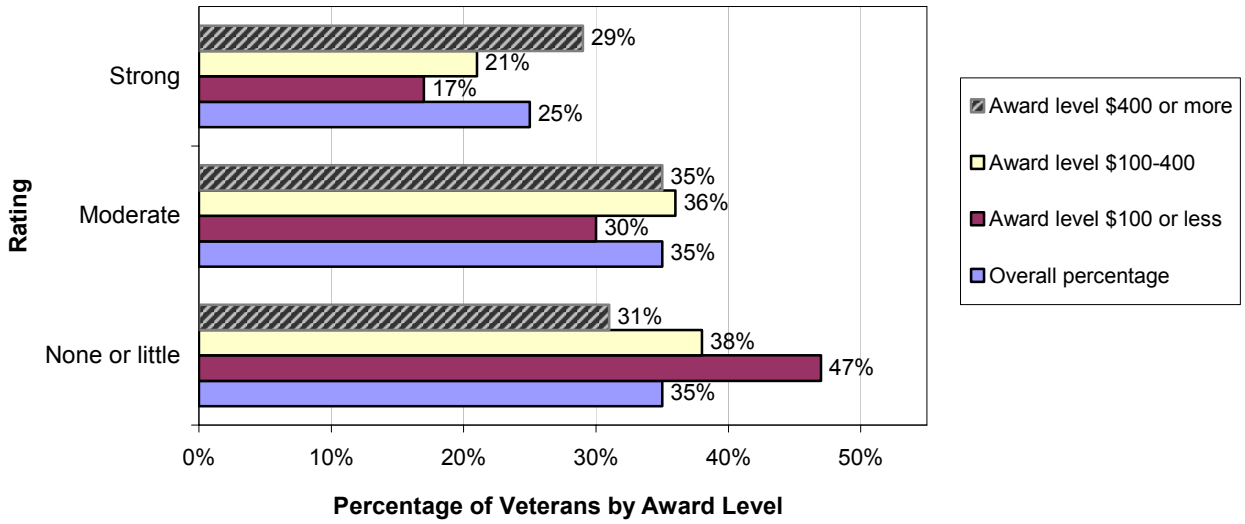
### 1. How do pensioners rate their financial security?

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

Spouses are more positive than veterans in their assessment of the security provided by the VA pension. Exhibit 8.1.b presents spouses' ratings of the financial security that their VA benefit provides, overall and by award level. Overall, 28 percent of the surveyed spouses believe that their VA pension benefit gives them little, very little, or no financial security, 34 percent rate their VA benefit as providing moderate financial security, and 34 percent perceive their VA benefit as providing them strong or very strong financial security. On average, spouses rate their financial security at 4.03, which is moderate. Similar to the veterans' ratings, spouses' ratings of the financial security provided by their VA benefit increase as award amount increases. A higher percentage of spouses who receive the lowest pension amount ($100 or less) rate their pension as providing little, very little, or no financial security (38%) than respondents with benefits of $100–$400 (28%) and those with more than $400 in VA benefits (17%). A higher percentage of spouses who receive the largest benefit amount (over $400) rate their VA pension as providing strong or very strong financial security (41%) than respondents with awards of $100–$400 (34%) and those with $100 or less in VA benefits (28%). Recent participants and spouses with children also rate their financial security lower—34 percent of

these groups say that the VA pension provides little, very little, or no financial security. Non-White spouses feel far less financial security than their White counterparts—39 percent of the non-White spouses and 22 percent of White spouses rate the financial security provided by their pension as little, very little, or none.

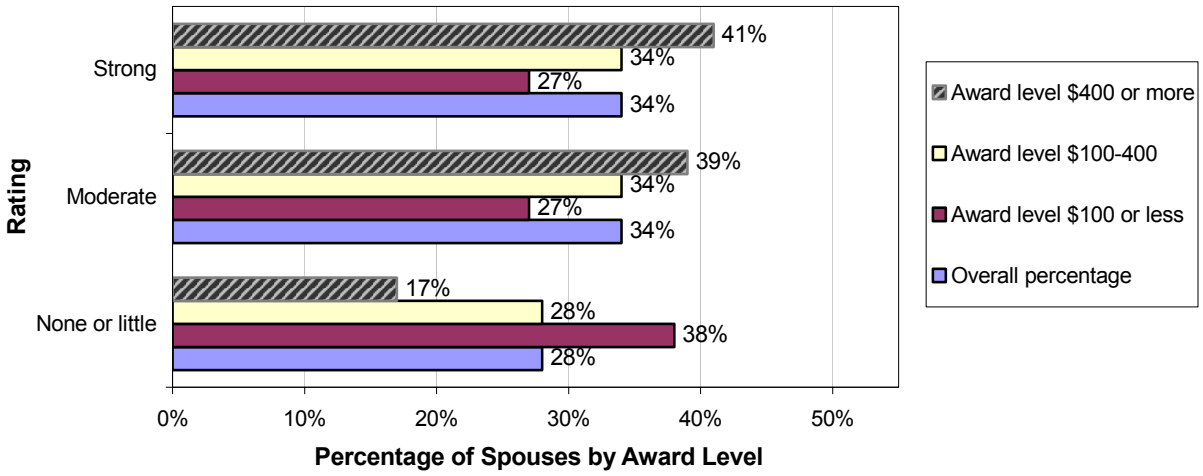
**Exhibit 8.1.a. Veterans' Ratings of the Financial Security Provided by VA Benefits, Overall and by Award Level**




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

*Source: Survey of Veteran Pensioners, Appendix D, Table 85*

**Exhibit 8.1.b. Spouses' Ratings of the Financial Security Provided by VA Benefits, Overall and by Award Level**




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

*Source: Survey of Spouse Pensioners, Appendix E, Table 85*

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

VA pension recipients' assessment of their current financial situation reveals that the largest percentage of pensioners (44% of veterans and 43% of spouses) can afford only basic necessities, with little or no money left for other expenses, while 20 percent of veterans and 25 percent of spouses indicate that their financial situation is defined as having to make major sacrifices and cutting back on basic necessities (Exhibit 8.2.a). Overall, the smallest percentage of respondents acknowledge that they are able to take care of their living expenses and have some money left over (13% of veterans and 11% of spouses).

Assessment of the financial situation tends to become less negative with age. A larger percentage of older respondents indicate that they can take care of living expenses and have some money left over (19% of veterans and 11% of spouses) than those aged 75–79 (13% of veterans and 12% of spouses) and respondents younger than 65 years of age (11% of veterans and 8% of spouses). Conversely, a smaller percentage of the oldest respondents report that they have to make major sacrifices and cut back on basic necessities (16% of veterans and 19% of spouses) than those aged 75–79 (20% of veterans and 24% of spouses) and respondents younger than 65 years of age (24% of veterans and 36% of spouses). Nevertheless, the largest percentage of the oldest respondents indicate that they can afford only basic necessities, with little or no money left (42% of veterans and 47% of spouses) (Table 74, Appendices D and E).

**Exhibit 8.2.a. Pensioners' Assessment of Their Current Financial Situation**

| Assessment of Current Financial Situation | Veterans | Spouses |
|---|---|---|
| Can afford only basic necessities, with little or no money left | 44.3% | 42.7% |
| Have to make major sacrifices and cut back on basic necessities | 20.2% | 25.3% |
| Can barely take care of living expenses | 19.9% | 19.0% |
| Can take care of living expenses, and have some money left over | 13.1% | 10.5% |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 74*

There is no consistent pattern across the responses by award level. However, respondents with children and younger respondents rate their current financial situation more negatively than other groups of respondents do. Among the sampling groups, the largest percentage of respondents reporting that they have to make major sacrifices and cut back on basic necessities are respondents with children (33% of veterans and 28% of spouses) and younger respondents (24% of veterans and 36% of spouses) (Appendices D and E, Table 74). Conversely, respondents who are the least likely to indicate that they can take care of living expenses and have some money left over are respondents with children (5% of veterans and 5% of spouses) and younger respondents (11% of veterans and 8% of spouses).

VA pension recipients' assessment of their current financial situation reveals that non-White respondents rate their current financial situation more negatively than White respondents do (Exhibit 8.2.b). The difference is most pronounced for non-White spouses—only 3 percent meet living expenses and have some money left over, compared with 15 percent of White veterans,

9 percent of non-White veterans, and 14 percent of White spouses. Non-White respondents, particularly spouses, are also more likely than White pensioners to acknowledge having to make major sacrifices and cutting back on basic necessities (23% of non-White veterans, 19% of White veterans; 34% of non-White spouses, 21% of White spouses). However, a similar percentage of White and non-White VA pension recipients indicate that they can barely take care of living expenses (20% of non-White veterans, 20% of White veterans; 20% of non-White spouses, 19% of White spouses).

**Exhibit 8.2.b. Pensioners' Assessment of Their Current Financial Situation, by Race**

| Veterans' Assessment of Their Current Financial Situation | Percentage of White Veterans | Percentage of Non-White Veterans | Percentage of White Spouses | Percentage of Non-White Spouses |
|---|---|---|---|---|
| **Can afford only basic necessities, with little or no money left** | 43.5% | 46.7% | 44.6% | 38.6% |
| **Have to make major sacrifices and cut back on basic necessities** | 19.3% | 22.8% | 21.0% | 34.3% |
| **Can barely take care of living expenses** | 19.9% | 20.0% | 18.5% | 20.0% |
| **Can take care of living expenses and have some money left over** | 14.7% | 8.9% | 13.9% | 3.3% |
| Note: Percentages do not total 100. Refusals and "Don't know" responses have not been included in this table. | | | | |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 74*

The study team also conducted a multivariate analysis to determine which factors relate significantly to the veterans' and surviving spouses' assessment of their current financial situation. The financial assessment was measured as a categorical variable taking on a value of 1 if the veteran (or the surviving spouse) can barely take care of living expenses, has to cut back on basic necessities, or has little money left after paying for expenses and a value of 0 if the parent can take care of living expenses, with money left over. Factors that significantly affect this measure of financial need are the following (See Appendix A for detail):

- A veteran in good health is less likely to have financial need than a veteran in poor health; a veteran who is White is less likely to have financial need than a veteran who is non-White; and a veteran with debt is more likely to have financial need than a veteran with no debt.
- A spouse in good health is less likely to have financial need than a spouse in poor health; a spouse who is White is less likely to have financial need than a spouse who is non-White; and a spouse with debt is more likely to have financial need than a spouse with no debt.

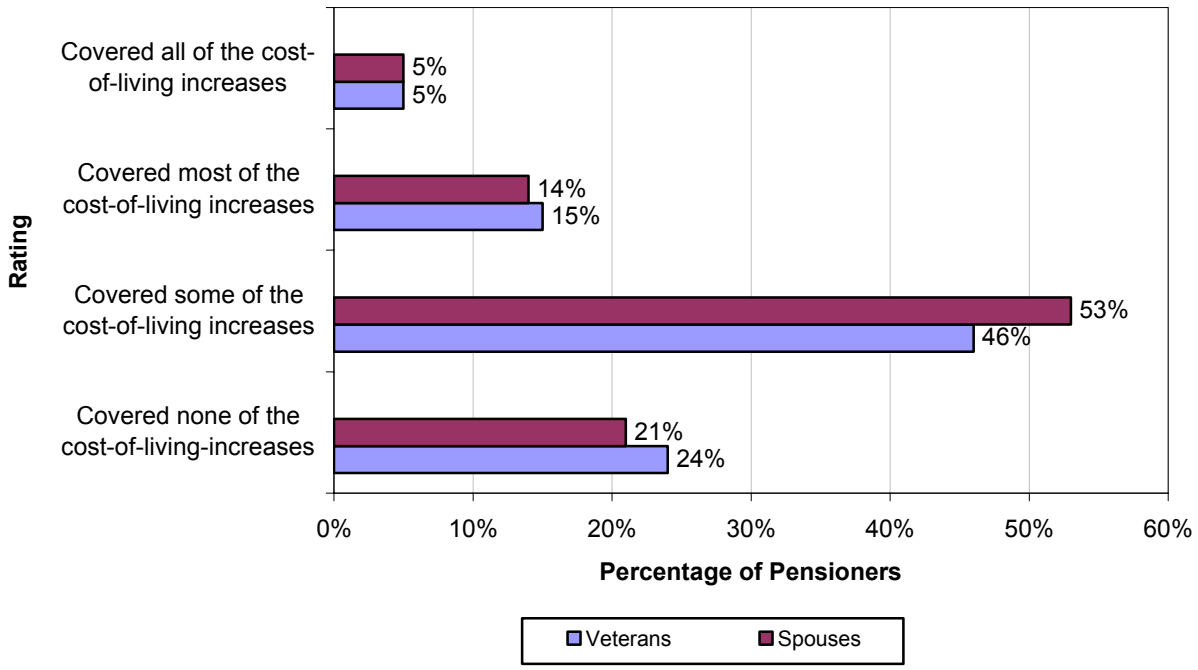
### 3. How well do VA cost-of-living increases cover the cost of living?

The VA Pension program provides for annual increases in the benefit amounts that are fully indexed according to annual cost-of-living increases. However, the perceptions of the respondents surveyed do not fully correspond to this. Respondents (535 veterans and 513 spouses) who began receiving benefits before 2000 were asked to rate how well the increases in VA benefits cover the increases in their cost-of-living expenses. Exhibit 8.3 presents the results. A larger percentage of these respondents (46% of veterans and 53% of spouses) say that their VA benefits cover some cost-of-living increases. However, a substantial percentage of the respondents indicate that increases in their

VA benefits do not cover any of their cost-of-living increases (25% of veterans and 21% of spouses). While a small percentage of the respondents report that increases in the VA benefit amounts cover most of their cost-of-living increases (15% of veterans and 14% of spouses), an even smaller percentage feel that increases in their VA benefits cover all of their cost-of-living increases (5% of veterans and 5% of spouses).

Understandably, respondents' ratings of how well VA cost-of-living increases cover their cost of living increases become less negative with the increasing award amount. This pattern of results is more evident among veterans than among spouses. Forty-two percent of veterans with the lowest benefit amounts ($100 or less) indicate that increases in their VA benefit amounts cover none of their cost-of-living expenses, compared with 26 percent of those receiving $100–$400 in VA benefits and 20 percent of the veterans receiving $400 or more. Conversely, 27 percent of veterans with the lowest benefit amounts ($100 or less) indicate that increases in their VA benefits cover some of their cost-of-living expenses, compared with 47 percent of those receiving $100–$400 in VA benefits and 49 percent of the veterans receiving $400 or more. The most vivid pattern of results is present for spouses indicating that increases in their VA benefits cover most of their cost-of-living expenses. Six percent of spouses with the lowest benefit amounts report that increases in the VA benefit amounts cover most cost-of-living increases, compared with 12 percent of spouses receiving $100–$400 and 24 percent of those with the largest award amounts (Appendices D and E, Table 21).

**Exhibit 8.3. Impact of the Increases in the Amounts of VA Benefit Received on Covering the Cost-of-Living Increases of Pensioners**



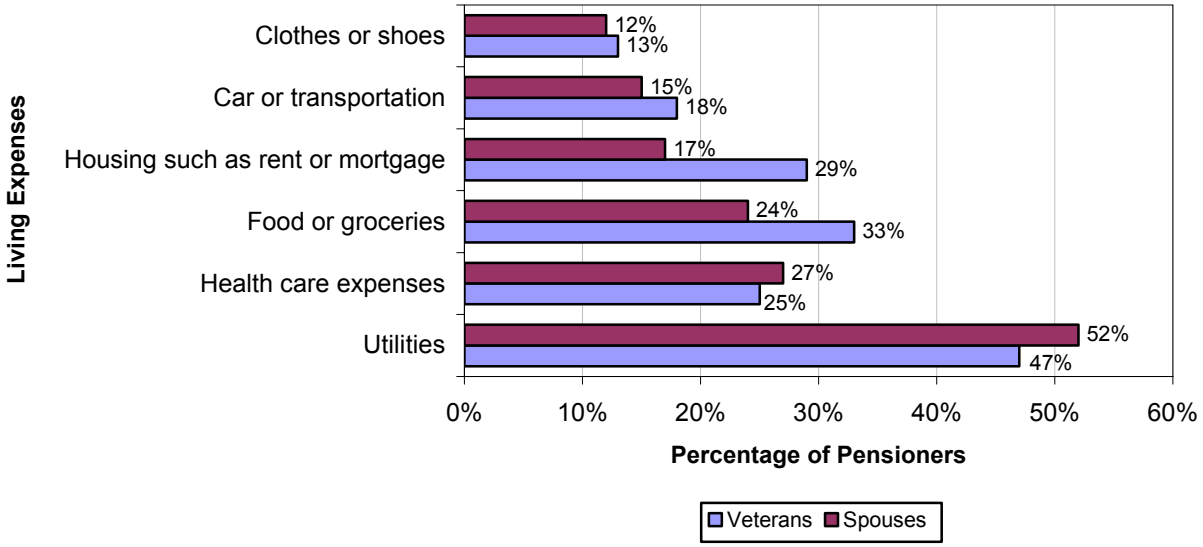

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 21*

# B. ARE THE BENEFITS ADEQUATE?

### 1. How well does the VA pension benefit meet pensioners' living expenses?

Survey results indicate that many VA pension recipients struggle to pay for basic necessities. The benefits received through the VA Pension program are not sufficient to cover the primary living expenses of respondents, even as a supplement to other income sources. Approximately one-third of the respondents (36% of veterans and 30% of spouses) indicate that they experience either difficulty paying for or have not been able to pay for various living expenses during the past 12 months (Appendices D and E, Table 72.1.X). Two groups of the VA pensioners who are the most likely to report having difficulties paying for or inability to pay for their living expenses are respondents with children (61% of veterans and 51% of spouses) and the younger respondents (48% of veterans and 44% of spouses) (Appendices D and E, Table 72.1.X). Respondents who have problems paying for their living expenses cite utilities (47% of veterans and 52% of spouses), food (34% of veterans and 24% of spouses), housing (29% of veterans and 17% of spouses), and health care (25% of veterans and 27% of spouses) as the living expenses that they have the most difficulty covering (Exhibit 8.4).

**Exhibit 8.4. Living Expenses Pensioners Had Difficulty Paying or Were Not Able to Pay for in the Past 12 Months, Based on Those With Difficulties Paying for Living Expenses**




Note: Percentages are based on the pensioners who reported they had difficulties or were not able to meet living expenses in the last 12 months.

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 72.1*

With respect to the distinction between having difficulties paying for living expenses and not being able to pay for them, 27 percent of the veterans and 22 percent of spouses report having difficulties paying for their living expenses, while 12 percent of veterans and 11 percent of spouses indicate that they could not pay for some of their living expenses (Appendices D and E, Table 72.1.a.x and Table 72.1.b.x). Among the respondents who either had difficulties paying for or were not able to pay for some living expenses, utilities are the most frequently cited living expense that respondents had

difficulty paying for (51% of veterans and 52% of spouses); health care expenses are the most frequently reported living expense that VA pension recipients could not pay for (30% of veterans and 38% of spouses) (Appendices D and E, Table 72.1.a and Table 72.1.b). Food and housing are among the most frequently cited living expenses that respondents either had difficulty paying for or were not able to pay for. A substantial percentage of the respondents report having difficulties paying for food (35% of veterans and 24% of spouses) and housing (28% of veterans and 18% of spouses), while a comparable percentage indicate not being able to pay for food (20% of veterans and 10% of spouses) and housing (20% of veterans and 9% of spouses) in the past 12 months (Appendices D and E, Table 72.1.a and Table 72.1.b).

VA pensioners' difficulties in meeting their everyday living expenses is further accentuated by the findings that among the respondents who report having difficulties paying for or not being able to pay for utilities (17% of veterans and 16% of spouses); 12 percent of veterans and 14 percent of spouses had their gas, electric, or oil services turned off; another 15 percent of veterans and 18 percent of spouses had their telephones disconnected because they could not pay their utility bills in the past 12 months (Appendices D and E, Table 72.1.1).

The study team also conducted a multivariate analysis to determine which factors relate significantly to veterans and surviving spouses having to cut back on living expenses in the past 12 months. The survey responses were measured as a categorical variable, taking on a value of 1 if respondents had to cut back on living expenses and a value of 0 if they did not. The following factors significantly affect this measure of financial need (See Appendix A for technical details):

- A veteran who is White is less likely to have to cut back on living expenses than a non-White veteran; older veterans are less likely to have to cut back on living expenses; a veteran who financially supports someone else is more likely to have to cut back on living expenses than a veteran who does not financially support someone else; and a veteran with debt is more likely to have to cut back on living expenses than a veteran with no debt.
- A spouse who is White is less likely to have to cut back on living expenses than a non-White spouse; older spouses are less likely to have to cut back on living expenses; a spouse in good health is less likely to have to cut back on living expenses than a spouse in poor health; a spouse who financially supports someone else is more likely to have to cut back on living expenses than a spouse who does not financially support someone else; and a spouse with debt is more likely to have to cut back on living expenses than a spouse with no debt.

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

Another measure of the VA pension recipients' difficulty in covering everyday living expenses involves determining which living expenses respondents would pay for if they had some extra money. Exhibit 8.5 presents the living expenses veterans and spouses would pay for if they had extra money. The living expenses respondents would pay for if they had more money include basic necessities and catching up on past due payments to stay financially solvent. The most frequently cited living expense that pensioners would pay for if more money were available is food or groceries (34% of veterans and 31% of spouses), followed by the purchases of clothes and shoes (27% of veterans and 35% of spouses), basic homes repairs (21% of veterans and 24% of spouses), and payments of utility bills (17% of veterans and 24% of spouses). Pensioners with children are more likely than other pensioners to report that they would pay for their various living expenses if the money were available. Among all groups of respondents, those with children report the highest percentage of making food purchases

(44% of veterans and 39% of spouses), buying clothes or shoes (40% of veterans and 37% of spouses), paying utility bills (24% of veterans and 30% of spouses), and covering other types of living expenses if they had some extra money.

A small percentage of the respondents (6% of veterans and 8% of spouses) report that they would save money for future living expenses (Appendices D and E, Table 73). This finding further points to the insolvent financial situation of the VA pensioners, whereby saving money is a luxury that many simply cannot afford. Many respondents experience difficulties paying for their everyday living expenses and, as a result, do not even consider saving money as an option, even if they had some additional financial resources.

**Exhibit 8.5. The Top Six Living Expenses Pensioners Would Pay for if They Had Extra Money**

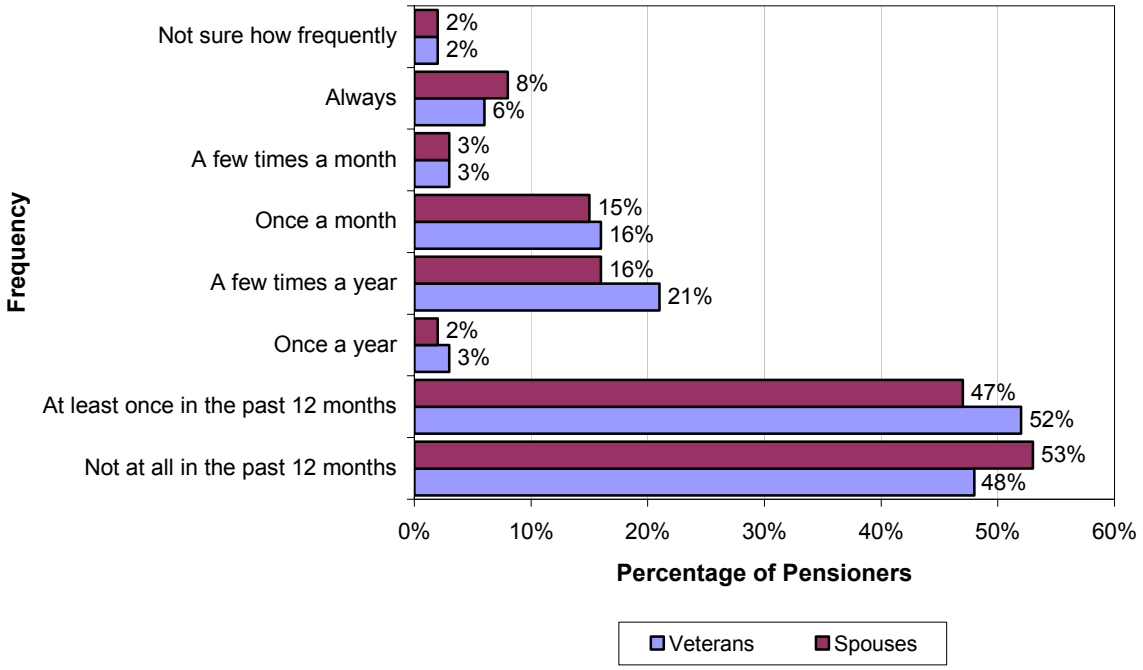
| Living Expenses That Pensioners Would Pay For if They Got Some Extra Money | Veterans | | Spouses | |
|---|---|---|---|---|
| | Overall Percentage | Percentage with Children | Overall Percentage | Percentage with Children |
| **Buy food or groceries** | 34.4% | 43.5% | 31.0% | 39.1% |
| **Buy clothes or shoes** | 27.2% | 39.7% | 35.1% | 36.5% |
| **Make home repairs or improvements** | 20.7% | 19.7% | 23.7% | 27.2% |
| **Pay utility bills or catch up on utility bills** | 17.4% | 24.3% | 24.0% | 30.3% |
| **Pay bills—credit cards, loans, or debts** | 15.2% | 24.0% | 17.1% | 29.0% |
| **Get needed health care services** | 13.3% | 15.4% | 18.0% | 22.3% |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 73*

### 3. Do pensioners run out of money and have to cut back on expenses?

VA pensioners' limited or nonexistent financial resources are further reflected in how frequently respondents run out of money and have to cut back on their living expenses. In the past 12 months, approximately half of the respondents (52% of veterans and 47% of spouses) ran out of money and had to cut back on paying their living expenses at least once (Exhibit 8.6.a). Most respondents ran out of money and had to cut back on living expenses either a few times a year (21% of veterans and 16% of spouses) or once a month (16% of veterans and 15% of spouses).

**Exhibit 8.6.a. Frequency with Which Pensioners Run Out of Money and Have to Cut Back on Living Expenses**

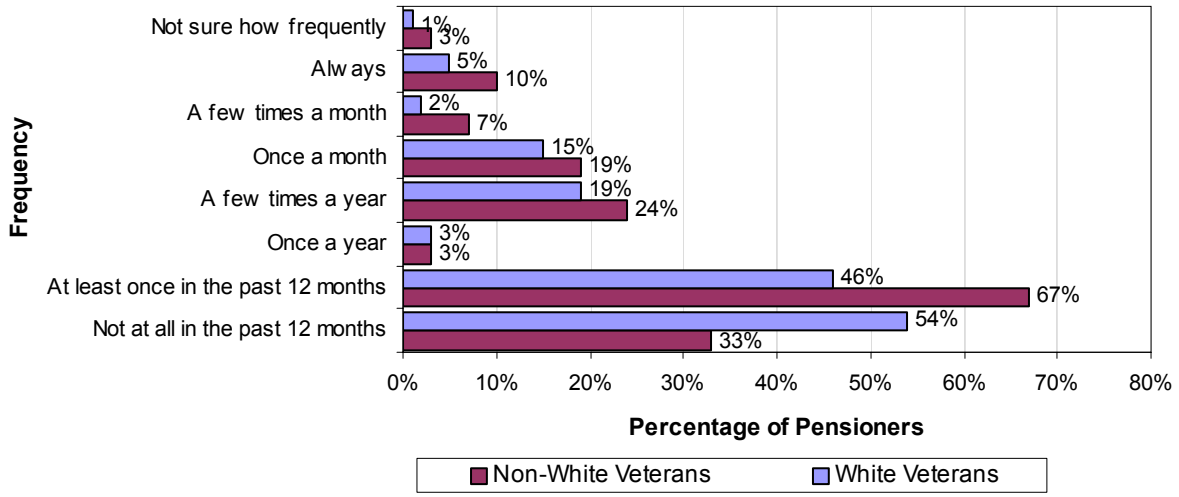



*Source: Survey of Veteran and Spouses Pensioners, Appendices D and E, Table 74.1.a*

Respondents with children and those younger than 65 years of age are more likely than any other group of respondents to report running out of money and having to cut back on their living expenses in the past 12 months (76% of veterans with children, 69% of spouses with children, 67% of the younger veterans, and 56% of the younger spouses) (Appendices D and E, Table 74.1.a). VA pensioners with children and younger respondents also have the highest percentage who report always running out of money in the past 12 months (13% of veterans with children, 11% of spouses with children, 9% of the younger veterans, and 14% of the younger spouses).

Non-White VA pension recipients report a substantially higher frequency of running out of money and having to cut back on their living expenses than White pensioners do. In the past 12 months, less than half of the White veterans (46%) ran out of money and had to cut back on paying for their living expenses at least once, compared with 67 percent of non-White veterans (Exhibits 8.6.b). Non-White veterans are also more likely than White veterans to run out of money and have to cut back on living expenses a few times a year (24% of non-White veterans and 19% of White veterans), once a month (19% of non-White veterans and 15% of White veterans), a few times a month (7% of non-White veterans and 2% of White veterans), or always (10% of non-White veterans and 5% of White veterans).

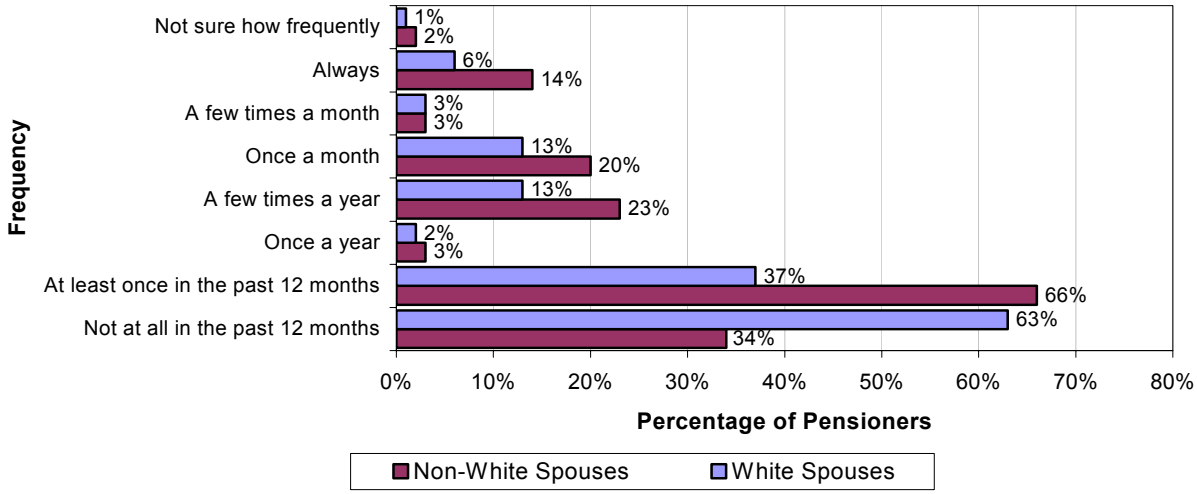
**Exhibit 8.6.b. Frequency with Which Veterans Run Out of Money and Have to Cut Back on Their Living Expenses, by Race**




*Source: Survey of Veteran and Spouse Pensioners*

The difference between White and non-White respondents' reports of the frequency of running out of money and having to cut back paying for living expenses is even more pronounced among spouses. In the past 12 months, more than a third of the White spouses (37%) ran out of money and had to cut back on paying for their living expenses at least once, compared with 66 percent of non-White spouses (Exhibits 8.6.c). Non-White spouses are also more likely than White spouses to report running out of money and having to cut back on living expenses a few times a year (23% of non-White spouses and 13% of White spouses), once a month (20% of non-White spouses and 13% of White spouses), or always (14% of non-White spouses and 6% of White spouses).

**Exhibit 8.6.c. Frequency With Which Spouses Run Out of Money and Have to Cut Back on Their Living Expenses, by Race**




*Source: Survey of Veteran and Spouse Pensioners*

### 4. Is pensioners' housing adequate?

Survey respondents were asked to assess several aspects of their current housing conditions. Virtually all of the respondents agree that they are satisfied with where they currently live (91% of veterans and 95% of spouses) and report that their current housing is in decent condition (95% of veterans and 95% of spouses), has a functional kitchen (96% of veterans and 96% of spouses), a working bath (95% of veterans and 97% of spouses), enough space for all family members (92% of veterans and 96% of spouses), and is located in a safe neighborhood (94% of veterans and 96% of spouses) (Exhibit 8.7).

**Exhibit 8.7. Pensioners' Assessment of Their Current Housing Situation**

| Quality of Current Housing Situation | Percentage of Veterans Who Agree | Percentage of Veterans Who Disagree | Percentage of Spouses Who Agree | Percentage of Spouses Who Disagree |
|---|---|---|---|---|
| **Overall satisfaction with the place where they live** | 91% | 8% | 95% | 4% |
| **Living in a place with complete and working bath facilities** | 95% | 4% | 97% | 3% |
| **Living in a place with complete and working kitchen facilities** | 96% | 3% | 96% | 3% |
| **Living in a place that is safe, clean, and in decent condition** | 95% | 4% | 95% | 4% |
| **Living in a place that has enough space for the whole family** | 92% | 7% | 96% | 4% |
| **Living in a safe and clean neighborhood** | 94% | 5% | 96% | 4% |
| Note: Percentages do not total 100. "Don't know" and "Not sure" responses are not included in this table. | | | | |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 52*

These overwhelmingly positive assessments of the housing situation are somewhat surprising, given that 21 percent of veterans and 24 percent of spouses report that they would make home repairs or improvements if the money was available (Exhibit 8.5). It seems that most respondents have a great degree of pride in their living situation; despite acknowledging the need for home improvements, they do not view their housing as being in less than decent condition.

### 5. Do pensioners have unmet health care needs?

Approximately one-fourth of the pensioners (26% of veterans and 23% of spouses) report that they are not currently getting some needed health care services. The most commonly reported health care needs that are not received are dental care (15% of veterans and 11% of spouses), eyeglasses or eye exams (8% of veterans and 7% of spouses), prescription medications (2% of veterans and 5% of spouses), and doctor visits (2% of veterans and 5% of spouses) (Exhibit 8.8). Among the sampling groups, respondents with children and those younger than 65 years of age are most likely to report having unmet health care needs (41% of veterans with children, 39% of the younger veterans, 42% of spouses with children, and 38% of the younger spouses) (Appendices D and E, Table 41).

**Exhibit 8.8. Six Most Frequent Health Care Services Needed but Not Received by Pensioners**

| Type of Health Care Service Needed | Percentage of Veterans | Percentage of Spouses |
|---|---|---|
| **Dental care** | 14.8% | 11.1% |
| **Eye exam or eyeglasses** | 7.8% | 7.2% |
| **Hearing aids** | 2.5% | 2.0% |
| **Prescription medications** | 2.2% | 4.8% |
| **Doctor visits** | 1.9% | 4.8% |
| **Home health aide** | 1.6% | 2.6% |
| **Visiting nurse** | 1.2% | 1.2% |
| **Laboratory testing or monitoring** | 0.1% | 1.8% |
| **Summary** | | |
| **Some Unmet Health Care Needs** | **26.0%** | **23.3%** |
| **No Unmet Health Care Needs** | **74.0%** | **76.7%** |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 41*

The study team also conducted a multivariate analysis to determine which factors relate significantly to unmet health care needs. Unmet health care need was measured as a categorical variable with a value of 1 if the veteran (or the surviving spouse) has unmet health care needs and a value of 0 otherwise. Significant factors that affect this measure of health care need are the following (See Appendix A for details):

- A veteran with debt is more likely to have unmet health care needs than a veteran with no debt; a veteran who is financially supported by someone else is more likely to have unmet health care needs than a veteran who is not financially supported by someone else; and older veterans are less likely to have unmet health care needs.
- A spouse with debt is more likely to have unmet health care needs than a spouse with no debt; a spouse with at least a high school education is more likely to have unmet health needs than a spouse with no high school degree; spouses with higher VA benefits are more likely to have unmet health care needs; a White spouse is less likely to have unmet health care needs than a non-White spouse; and older spouses are less likely to have unmet health care needs.

# C. WHAT STRATEGIES DO PENSIONERS USE TO MAKE ENDS MEET?

The survey reveals that to cover their living expenses most VA pensioners have to use various strategies of prioritizing living expenses and cutting them to the bare minimum. These pensioners must choose to pay for only their most immediate needs while postponing or ignoring other living expenses. These strategies involve having to live on less food or lower-quality food, postponing health care, cutting back on the housing expenses, curtailing travel, borrowing from friends and family, and using credit cards to pay for basic expenses. More than three-quarters of the respondents (80% of veterans and 78% of spouses) report using some strategies to make ends meet because they do not have enough money to cover their living expenses (Appendices D and E, Table 75d). Larger percentages of non-Whites use various strategies to make ends meet. Overall, 86 percent of non-

White veterans and 84 percent of non-White spouses report using money-saving strategies in the past 12 months because they did not have money for their living expenses, compared with 78 percent of White veterans and 75 percent of White spouses.

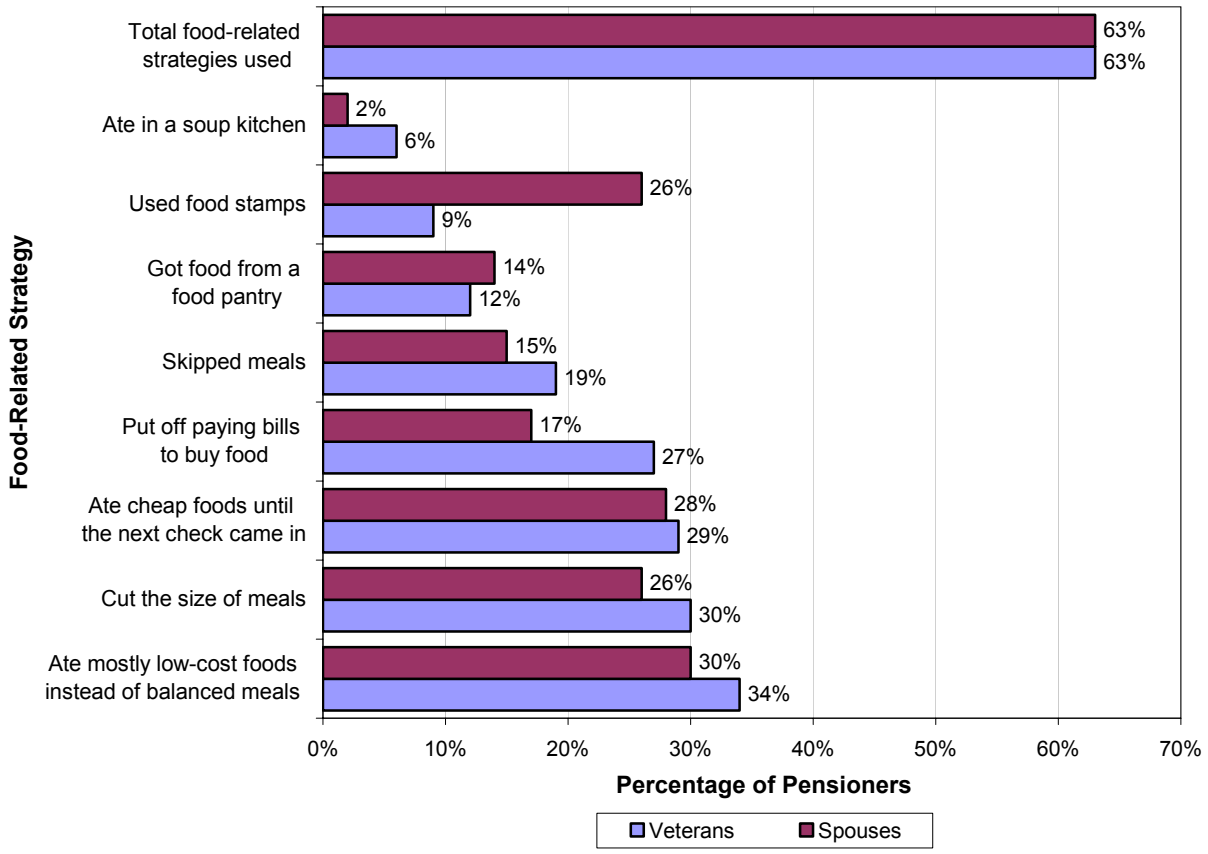
The highest percentage of respondents acknowledged using food-related strategies (63% of veterans and 63% of spouses), followed by general strategies (61% of veterans and 56% of spouses) such as borrowing money and cutting back on transportation and clothing, housing-related strategies (47% of veterans and 43% of spouses), and health care postponement strategies (39% of veterans and 41% of spouses) (Appendices D and E, Tables 75a, 75b, 75c, and 75d).

### 1. Do pensioners use food-related strategies to make ends meet?

During the past 12 months, 63 percent of veterans and the same percentage of spouses had to use strategies to cut back on the amount of food they consumed, buy low-quality food, or find other sources of obtaining food without paying, simply because they do not have enough money. Exhibit 8.9.a illustrates the kinds of food-related strategies the veterans and spouses used. The most frequently used food-related strategies were eating low-cost foods instead of balanced meals (34% of veterans and 30% of spouses), cutting the size of the meals (30% of veterans and 26% of spouses), eating cheap foods until the next check came (29% of veterans and 28% of spouses), and putting off paying bills to buy food (27% of veterans and 17% of spouses). Furthermore, more than one-quarter of the spouses (26%) report using food stamps. Almost 20 percent of the veterans and 15 percent of the spouses had to skip meals because they did not have enough money for food.

Respondents with children and those younger than 65 years of age are more likely than any other group to report using food-related strategies because they do not have enough money (81% of veterans with children, 76% of the younger veterans, 75% of spouses with children, and 79% of the younger spouses), especially food-related strategies of skipping meals (34% of veterans with children, 33% of the younger veterans, 22% of spouses with children, and 24% of the younger spouses), putting off bills to buy food (51% of veterans with children, 34% of the younger veterans, 40% of spouses with children, and 25% of the younger spouses), and eating low-cost foods instead of balanced meals (45% of veterans with children, 45% of the younger veterans, 41% of spouses with children, and 43% of the younger spouses) (Appendices D and E, Table 75a).

**Exhibit 8.9.a. Percentage of Pensioners Who, in the Past 12 Months, Used Food-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money**



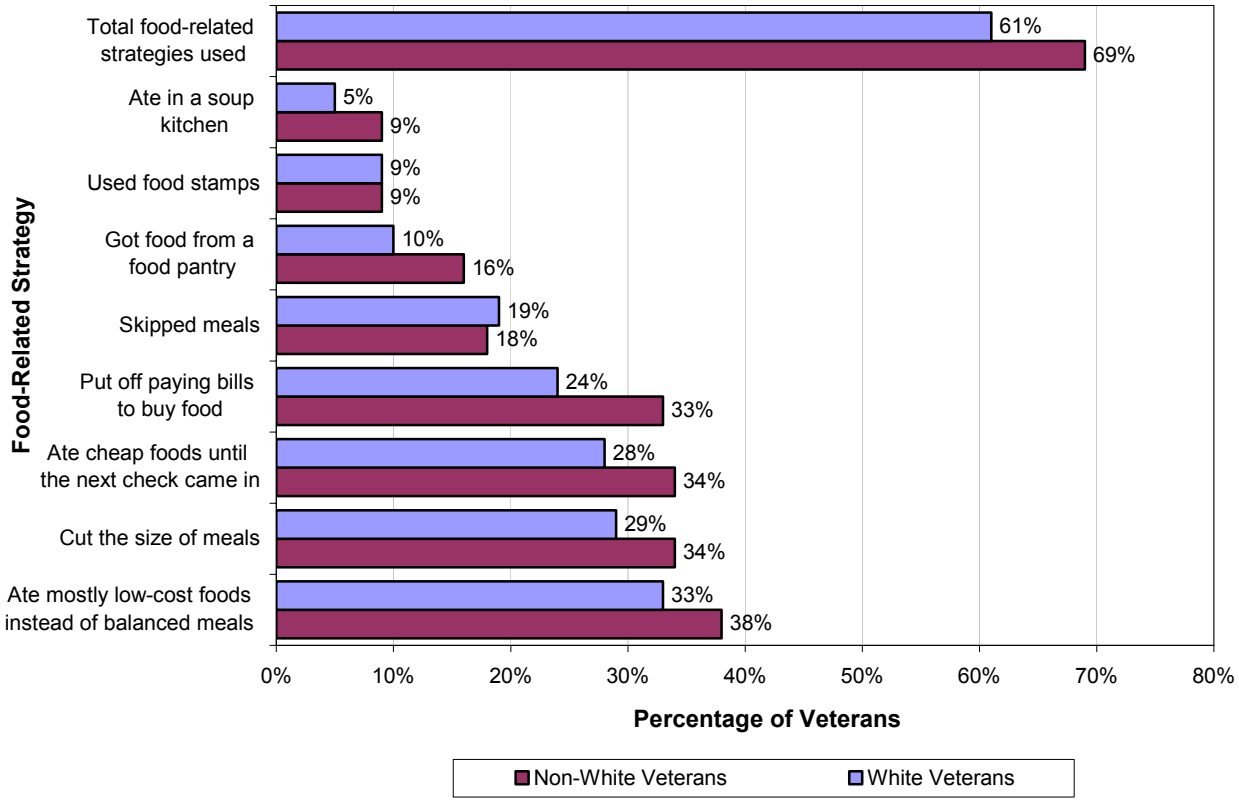

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75a*

Higher percentages of non-White than White pensioners report having used food-related money-saving strategies in the past 12 months. Sixty-one percent of non-White veterans used food-related strategies, compared with 69 percent of non-White veterans (Exhibit 8.9.b). Non-White veterans are more likely than White veterans to eat low-cost foods instead of balanced meals (38% of non-White veterans and 33% of White veterans), cut the size of meals (34% of non-White veterans and 29% of White veterans), eat cheap food until the next check (34% of non-White veterans and 28% of White veterans), put off paying bills to buy food (33% of non-White veterans and 24% of White veterans), get food from a pantry (16% of non-White veterans and 10% of White veterans), and eat in a soup kitchen (9% of non-White veterans and 5% of White veterans).

The difference between White and non-White respondents' use of food-related strategies is even greater among spouses than among veterans. Overall, 59 percent of White spouses report using food-related money-saving strategies in the past 12 months, compared with 72 percent of non-White spouses (Exhibit 8.9.c). Non-White spouses are more likely than White spouses to cut the size of meals (29% of non-White spouses and 24% of White spouses), eat cheap food until the next check (34% of non-White spouses and 25% of White spouses), put off paying bills to buy food (27% of non-White spouses and 13% of White spouses), get food from a pantry (17% of non-White spouses and 12% of White spouses), eat in a soup kitchen (5% of non-White spouses and 1% of White spouses),

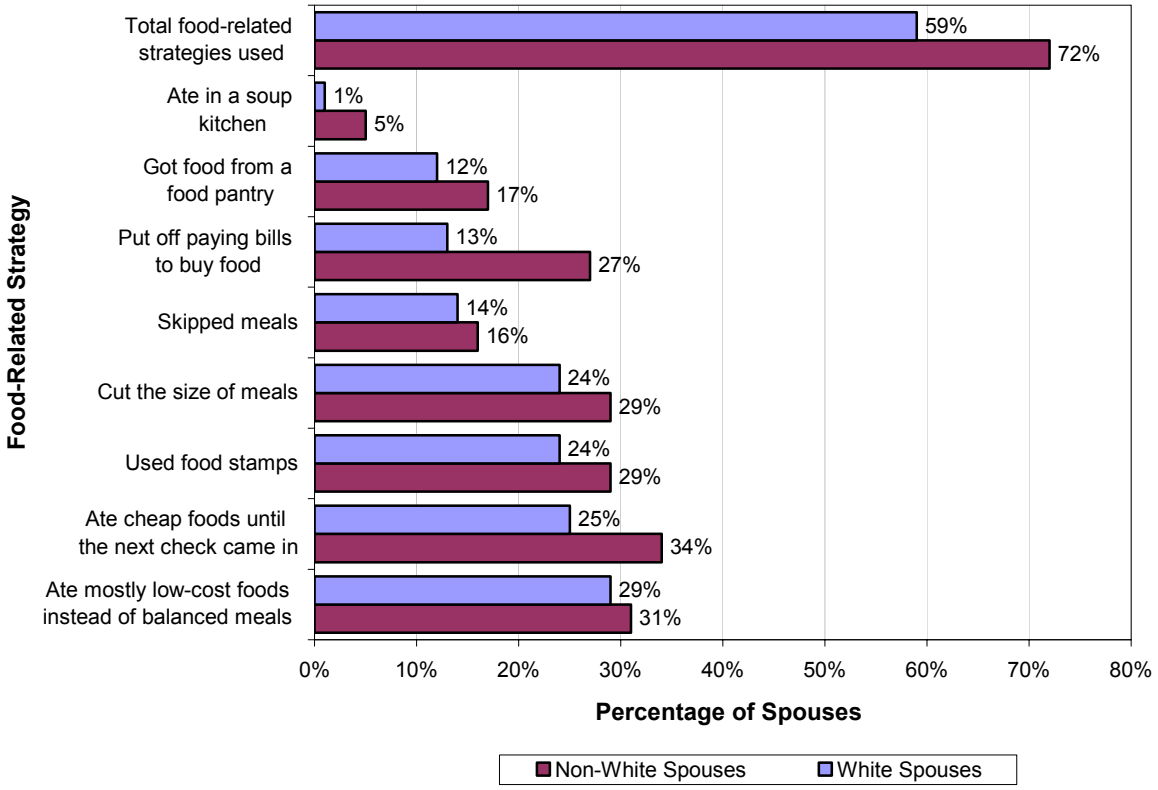
and use food stamps (29% of non-White spouses and 24% of White spouses). Non-White spouses are also slightly more likely than White spouses to eat low-cost foods instead of balanced meals (31% of non-White spouses and 29% of White spouses) and skip meals (16% of non-White spouses and 14% of White spouses).

**Exhibit 8.9.b. Percentage of Veterans Who, in the Past 12 Months, Used Food-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money, by Race**




*Source: Survey of Veteran and Spouse Pensioners*

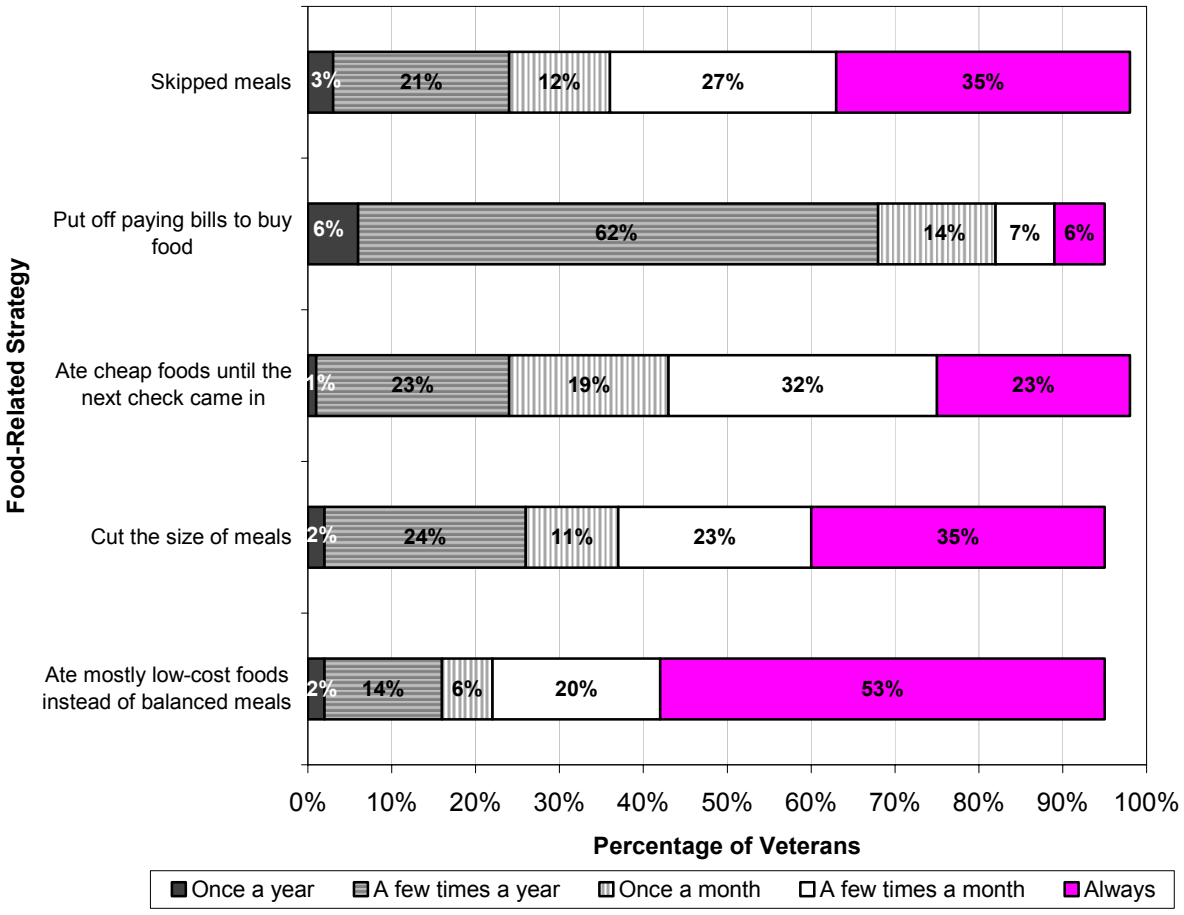
**Exhibit 8.9.c. Percentage of Spouses Who, in the Past 12 Months, Used Food-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money, by Race**




*Source: Survey of Veteran and Spouse Pensioners*

Respondents who used food-related strategies also report the frequency with which they had to use these strategies. Most respondents who used these strategies report using them at least monthly by eating low-cost foods instead of balanced meals (79% of veterans and 79% of spouses), cutting the size of meals (69% of veterans and 68% of spouses), skipping meals (74% of veterans and 62% of spouses), and eating cheap foods until the next check came (74% of veterans and 71% of spouses) (Exhibits 8.10.a and 8.10.b). A substantial percentage of respondents who used food-related strategies report always cutting the size of meals (35% of veterans and 32% of spouses) and skipping meals (35% of veterans and 24% of spouses).

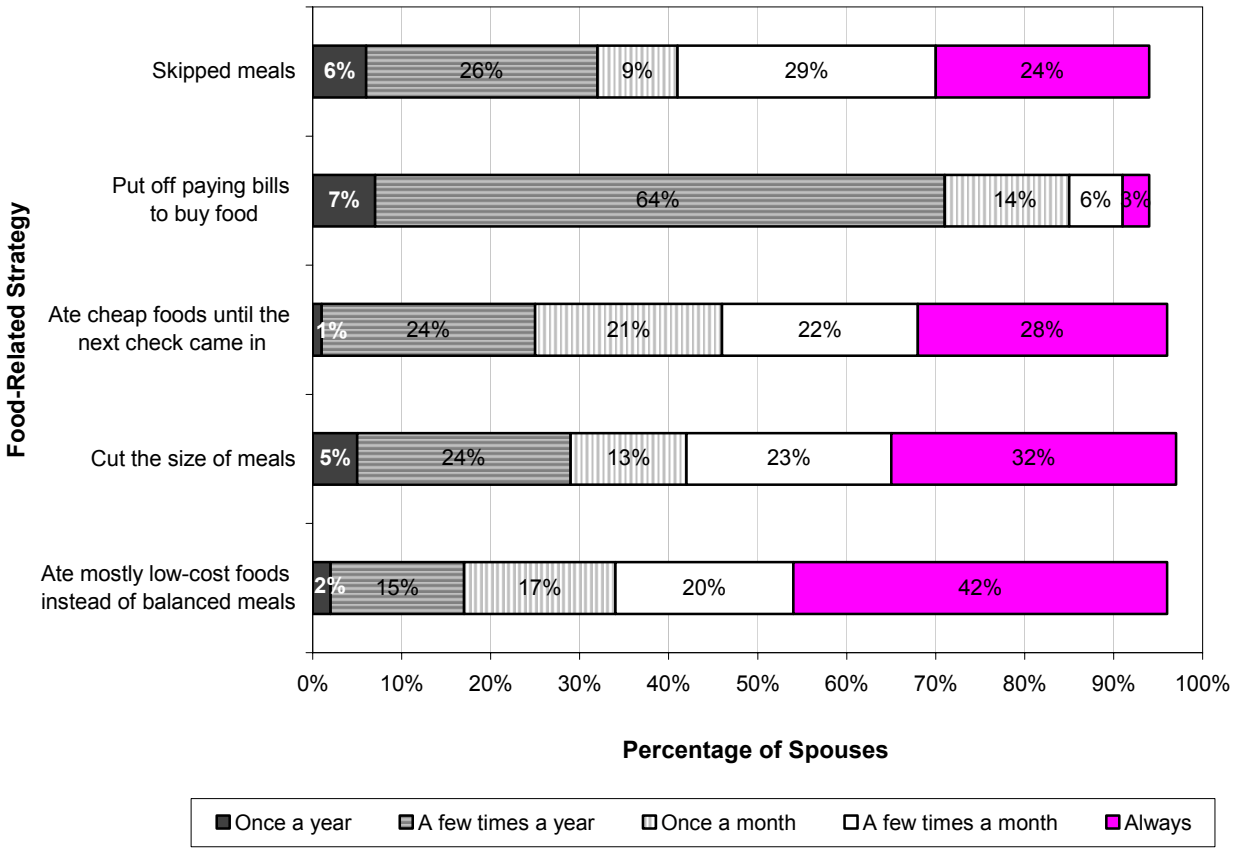
**Exhibit 8.10.a. The Frequency with Which the Most Noted Food-Related Strategies Were Used by 63 Percent of Veterans During the Past 12 Months**




Note: The responses of "Don't know," "None of the above," and "Refused" are not included. Percentages are of those 63% of veterans who use each food strategy (Exhibit 8.9a), not all veterans.

*Source: Survey of Veteran Pensioners, Appendix D, Table 75ax*

**Exhibit 8.10.b. The Frequency with Which the Most Noted Food-Related Strategies Were Used by 59 Percent of Spouses During the Past 12 Months**




Note: The responses of "Don't know", "None of the above", and "Refused" are not included. Percentages are of those 59 percent of spouses who use each food strategy (Exhibit 8.9b), not all spouses.

*Source: Survey of Spouse Pensioners, Appendix E, Table 75ax*

Eating low-cost foods instead of a balanced meal is used by higher percentages of respondents (34% of veterans and 30% of spouses) and with a greater frequency than any other food-related strategy. As a result, many respondents using this strategy are not consuming foods that provide a balanced diet, including fish, poultry, or protein foods (13% of veterans and 12% of spouses), vegetables (12% of veterans and 11% of spouses), and fruits (11% of veterans and spouses) (Exhibit 8.11). Among the respondents eating low-cost foods instead of a balanced meal, more respondents with children and younger than 65 years of age report not getting protein foods (20% of veterans with children, 20% of the younger veterans, 21% of spouses with children, and 21% of the younger spouses), vegetables (23% of veterans with children, 19% of the younger veterans, 18% of spouses with children, and 19% of the younger spouses), and fruits (22% of veterans with children, 19% of the younger veterans, 18% of spouses with children, and 19% of the younger spouses) than other groups of respondents (Appendices D and E, Table 75.7x).

**Exhibit. 8.11. Percentage of Pensioners Who Did Not Get Various Foods for a Balanced Diet Because They Ate Mostly Low-Cost Foods to Make Ends Meet**

| Foods That Pensioners Are Not Getting for a Balanced Diet | Percentage of Veterans | Percentage of Spouses |
|---|---|---|
| **Meat, fish, poultry, beans, or protein foods** | 13.4% | 12.2% |
| **Vegetables** | 12.1% | 10.6% |
| **Fruit** | 11.4% | 11.1% |
| **Dairy products** | 3.5% | 4.2% |
| **Grains—cereals, bread, rice, pasta** | 2.2% | 3.1% |
| **Juices** | 0.9% | 1.8% |
| **Other foods** | 1.2% | 1.7% |
| **Total Who Ate Low-Cost Foods Instead of a Balanced Diet** | **34.0%** | **29.7%** |
| Note: Percentages are calculated for all veterans and spouses, not just those eating low-cost foods. | | |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75.7.x*

Eating cheap foods until the next check comes is the second most prevalent food-related strategy used by respondents. Exhibit 8.12 depicts the kinds of food veterans and spouses ate when they were waiting for their next check to come. The most frequently reported cheap foods consumed by the respondents who run out of money are beans (10% of veterans and 8% of spouses), noodles or pasta (8% of veterans and 7% of spouses), and potatoes (7% of veterans and 7% of spouses). More pensioners with children and more younger pensioners follow these practices. Veterans with children rely more on pasta (18%) and rice (15%) than other foods and more frequently than all veterans. Spouse pensioners with children consume pasta (17%) and beans (15%) when they run out of money more often than other spouses do, and more frequently than other foods.

**Exhibit 8.12. Percentage of Pensioners Who Ate Various Cheap Foods Until the Next Check Came to Make Ends Meet**

| Foods That Pensioners Ate When They Did Not Have Money To Buy Food | Percentage of Veterans Who Ate Cheap Foods | Percentage of Spouses Who Ate Cheap Foods |
|---|---|---|
| **Beans** | 9.5% | 7.9% |
| **Noodles or pasta** | 7.7% | 7.4% |
| **Potatoes** | 7.4% | 6.8% |
| **Fruits or vegetables other than beans** | 6.6% | 6.2% |
| **Canned or dry soup mixes** | 6.4% | 7.6% |
| **Fast food** | 6.2% | 4.8% |
| **Rice** | 5.9% | 6.8% |
| **Total Who Ate Cheap Foods** | **29.2%** | **28.2%** |

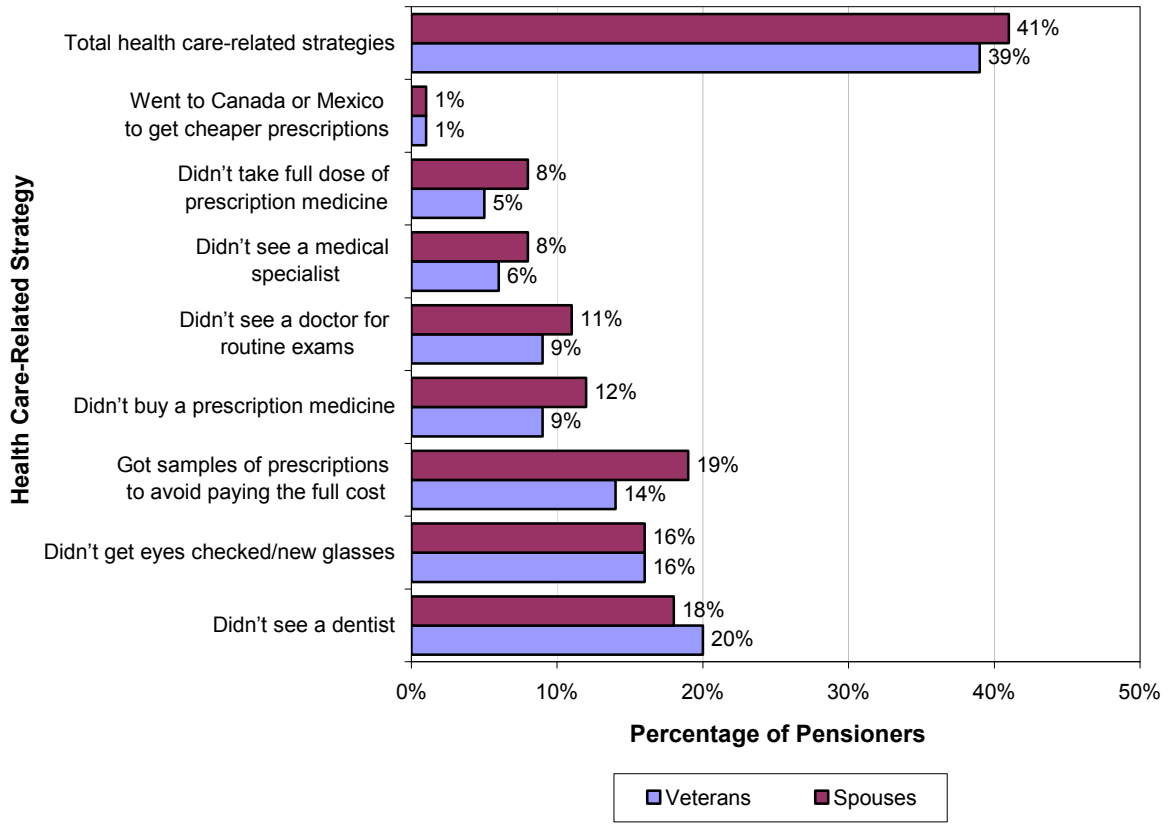
*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75.8x*

### 2. Do pensioners use health care-related strategies to make ends meet?

The lack of financial resources also translates into the need for pensioners to cut back or avoid using basic preventative and routine health care services to save money. Overall, 39 percent of veterans and 41 percent of spouses use strategies to cut back on their health care costs because they do not have enough money to cover living expenses (Exhibit 8.13). The same percentage of White and non-White veterans use health care strategies; more non-White spouses (46%) use health care strategies than White spouses (38%). The most frequently cited health care strategies are: not going to the dentist (20% of veterans and 18% of spouses), not getting eyeglasses or eye exams (16% of veterans and 16% of spouses), getting samples of prescription medications to avoid paying the full price (15% of veterans and 19% of spouses), not buying prescription medications (9% of veterans and 12% of spouses), and refraining from doctor visits (9% of veterans and 11% of spouses). Almost identical proportions of White and non-White veterans use each of these strategies. However, non-White spouses tend not to get dental care (21%), not to buy prescription medicine (13%), and not to take the full dose of prescription medicines (10%) more often than other pensioners.

As with the food-related strategies, higher percentages of respondents with children and younger than 65 years of age report using health care-related money-saving strategies (57% of veterans with children, 49% of the youngest veterans, 58% of spouses with children, and 61% of the youngest spouses) than any other group of respondents (Appendices D and E, Table 75b). Respondents with children and those younger than 65 years of age are more likely than other respondents to report refraining from doctor visits (18% of veterans with children, 14% of the younger veterans, 25% of spouses with children, and 29% of the younger spouses), not getting eyeglasses or eye exams (24% of veterans with children, 20% of the younger veterans, 28% of spouses with children, and 28% of the younger spouses), and not going to the dentist (38% of veterans with children, 30% of the younger veterans, 30% of spouses with children, and 32% of the younger spouses).

**Exhibit 8.13. Percentage of Pensioners Who, in the Past 12 Months, Used Health Care-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money**




*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75b*

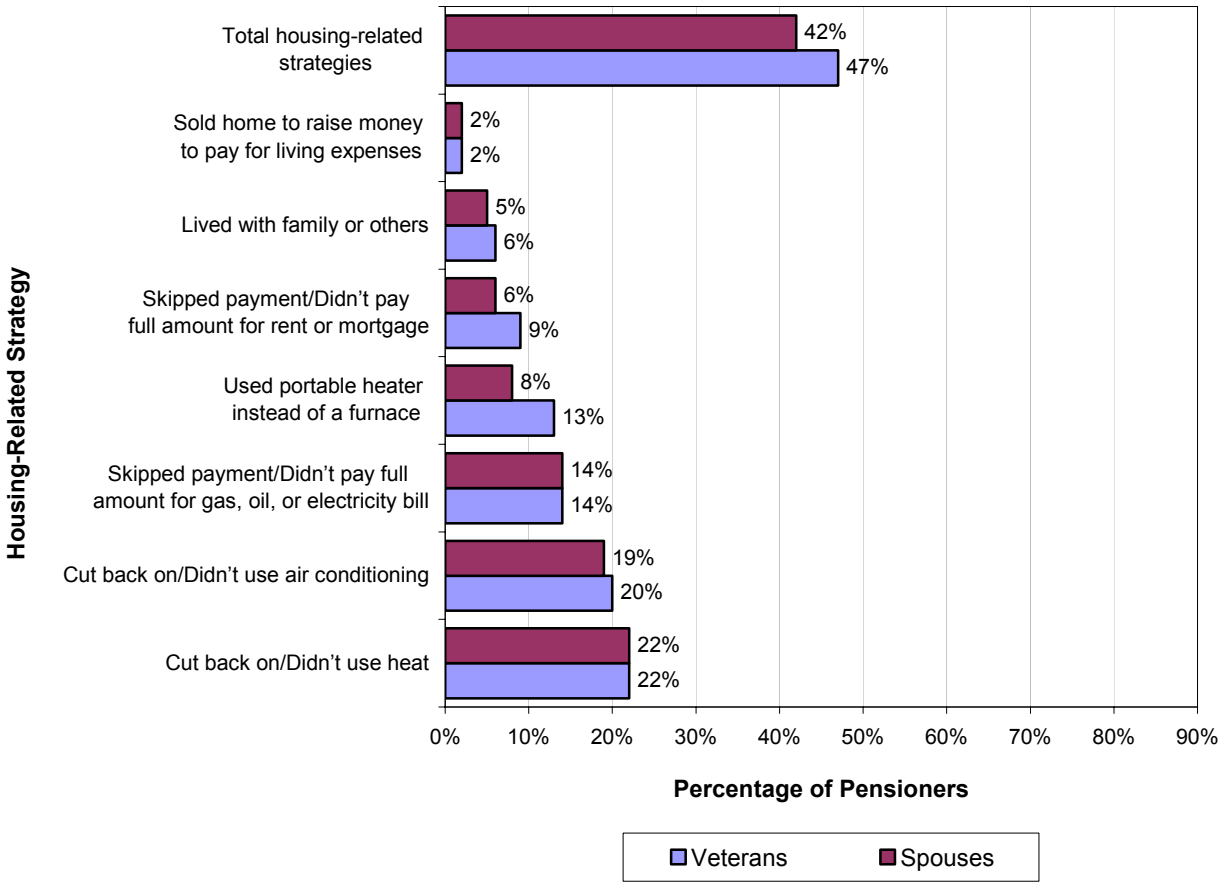
### 3. Do pensioners use housing-related strategies to make ends meet?

The difficulties of VA pensioners to meet their living expenses are further reflected in their use of housing-related strategies to make ends meet. In the past 12 months, 47 percent of veterans and 43 percent of spouses report using strategies that minimize or eliminate costs associated with maintaining a residence because they did not have enough money for their living expenses (Exhibits 8.14). The most frequently cited strategies for saving money on housing-related expenses are cutting back on heat (22% of veterans and 22% of spouses), not using air conditioning (20% of veterans and 19% of spouses), skipping a payment for a utility bill (14% of veterans and 15% of spouses), and using a portable heater instead of a furnace (13% of veterans and 8% of spouses).

Housing-related strategies are used by more than one-half of the non-White pensioners, pensioners with children, and those younger than 65 years of age (56% of non-White veterans, 68% of veterans with children, and 56% of the younger veterans; 54% of non-White spouses, 58% of spouses with children, and 60% of the younger spouses). Respondents with children and those younger than 65 years of age are especially likely to skip rent or mortgage payment (23% of veterans with children, 14% of the younger veterans, 18% of spouses with children, 14% of the younger spouses), cut back on using heat (34% of veterans with children, 29% of the younger veterans, 26% of spouses with children, and 32% of the younger spouses), and skip utility payment (38% of veterans with children, 20% of the

younger veterans, 36% of spouses with children, and 22% of the younger spouses) (Appendices D and E, Table 75c). Non-White pensioners are more likely to cut back on heating and electric bills and skip paying a utility bill.

**Exhibit 8.14. Percentage of Pensioners Who, in the Past 12 Months, Used Housing-Related Strategies to Make Ends Meet Because They Did Not Have Enough Money**



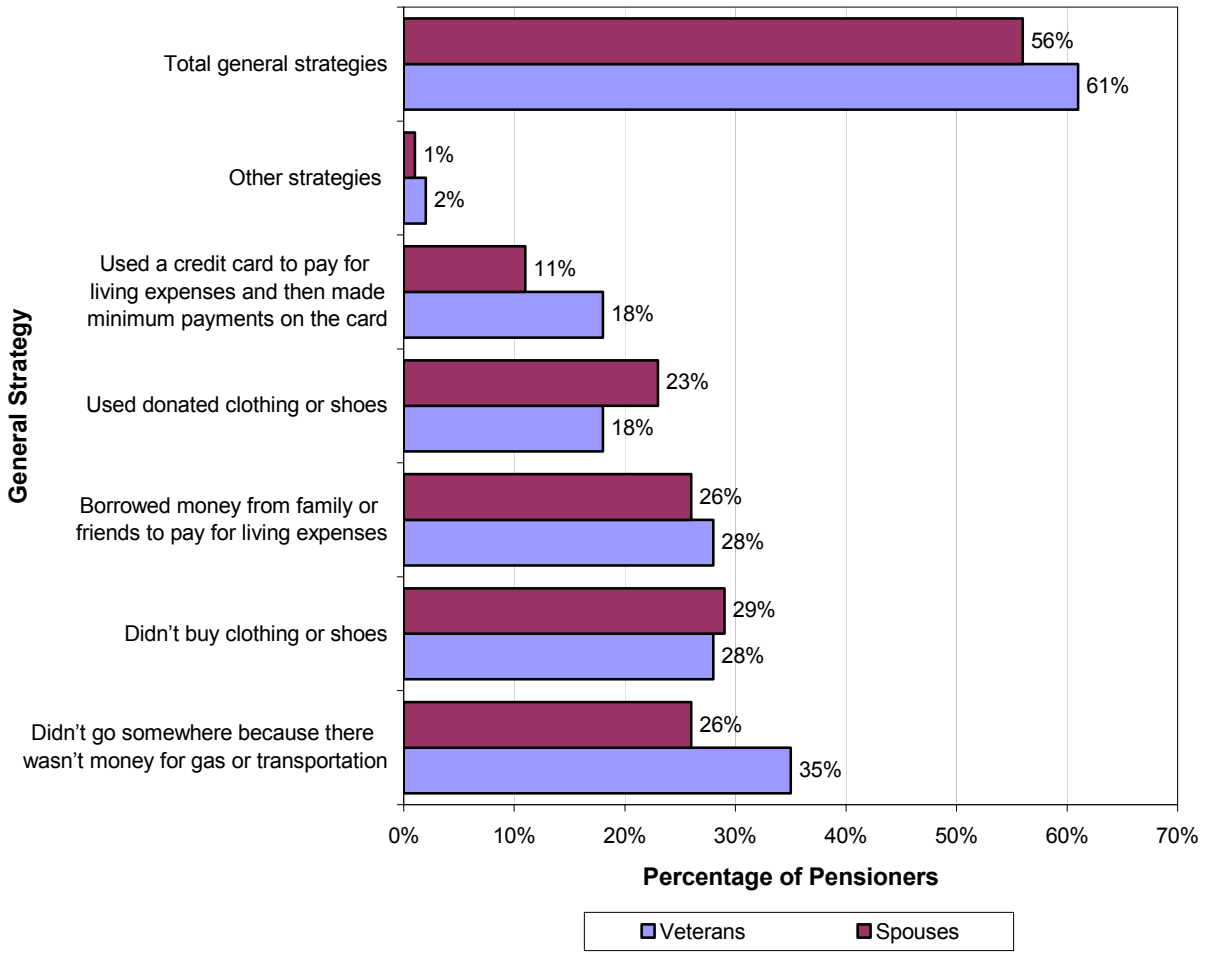

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75c*

### 4. Do pensioners use other general strategies to make ends meet?

In addition to food-, health care-, and housing-related strategies, most VA pension recipients use various general strategies to make ends meet (61% of veterans and 56% of spouses) (Exhibit 8.15). The most frequently cited general strategies used by respondents to save money are to not use transportation (35% of veterans and 27% of spouses), not buy clothes or shoes (28% of veterans and 29% of spouses), borrow money from friends or family members (28% of veterans and 26% of spouses), use donated clothing or shoes (18% of veterans and 23% of spouses), and incur credit card debt to cover living expenses (18% of veterans and 11% of spouses). An additional frequently reported money-saving strategy that does not involve basic living expenses is to cut back on making long-distance telephone calls (37% of veterans and 35% of spouses) (Appendices D and E, Table 75d).

As with all other types of money-saving strategies, respondents with children and those younger than 65 year of age are the groups in most financial need—the highest percentage of them report using general cost-cutting strategies (83% of veterans with children, 69% of the younger veterans, 73% of spouses with children, and 76% of the younger spouses) (Appendices D and E, Table 75d). Respondents with children and those younger than 65 years of age are more likely than other groups to borrow money from friends or family (50% of veterans with children, 43% of the younger veterans, 40% of spouses with children, and 43% of the younger spouses), avoid using transportation (52% of veterans with children, 45% of the younger veterans, 39% of spouses with children, and 41% of the younger spouses), and refrain from buying clothing or shoes (48% of veterans with children, 39% of the younger veterans, 43% of spouses with children, and 42% of the younger spouses).

**Exhibit 8.15. Percentage of Pensioners Who, in the Past 12 Months, Used General Strategies to Make Ends Meet Because They Did Not Have Enough Money**




*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 75d*

About 20 percent more non-White VA pension recipients report using general strategies to make ends meet than White respondents. Overall, 57 percent of White veterans use various general strategies to save money on living expenses, compared with 71 percent of non-White veterans. Non-White veterans are more likely than White veterans to borrow money from friends or family (37% of

non-White veterans and 24% of White veterans) and use donated clothing or shoes (22% of non-White veterans and 16% of White veterans), while White veterans are more likely than non-White veterans to incur credit card debt to pay for living expenses (20% of White veterans and 13% of non-White veterans) (Survey of Veteran and Spouse Pensioners).

The most frequently cited general strategies to make ends meet are used by VA pensioners at least a few times a year. Among the respondents who have used general strategies, the strategies that are used at least a few times a year include not using transportation (90% of veterans and 86% of spouses), incurring credit card debt to cover living expenses (86% of veterans and 88% of spouses), borrowing money from friends or family (79% of veterans and 78% of spouses), avoid buying clothes or shoes (79% of veterans and 78% of spouses), and using donated clothing (71% of veterans and 73% of spouses). The nonbasic living expenses strategy of cutting down on making long-distance telephone calls is also used frequently—of those using this strategy, 73 percent of the veterans (Appendix D, Table 75f) and 68 percent of spouses (Appendix E, Table 75e) report always using it.

# D. WHAT ARE THE LIVING SITUATIONS OF VA PENSIONERS?

This discussion focuses on an analysis of the changes that respondents experienced in their circumstances since enrolling in the VA Pension program. It focuses on the financial conditions of VA pensioners and the effect of the program on their quality of life and well-being. Relatively new VA Pension program enrollees, those receiving benefits after 2000, form the basis for making before-and-after comparisons of respondents' circumstances. Compared with the all survey respondents, the new enrollees comprise 21 percent (the same percentage for veterans and spouses).

### 1. What is the current financial situation of pensioners, compared with the year before they began receiving VA benefits?

Veterans are more positive in their assessment of the impact of the VA pension on their financial situation than spouses (Exhibit 8.16). More than half of the recent veteran enrollees (54%) and less than a third of the recent spouse recipients (29%) rate their current financial situation as better than before they began to receive the VA pension. A substantial percentage of recent enrollees report that receiving the VA benefits had no impact on their financial situation (24% of veterans and 32% of spouses). Twenty-two percent of the veterans and 38 percent of spouses recently enrolled in the VA Pension program consider their current financial situation worse than in the year before receiving VA benefits. Spouses may have more negative assessments due to the death of the veteran and the corresponding loss of the veteran's income.

**Exhibit 8.16. Pensioners' Ratings of Their Current Financial Situation Compared with the Year Before Receiving VA Benefits**

| Veterans' Ratings of Their Current Financial Situation | Percentage of Recent Veteran Pensioners | Percentage of Recent Spouse Pensioners |
|---|---|---|
| **Much worse** | 7.0% | 8.8% |
| **Worse** | 9.9% | 16.2% |
| **Somewhat worse** | 4.9% | 12.5% |
| **About the same** | 23.9% | 32.4% |
| **Somewhat better** | 15.5% | 9.6% |
| **Better** | 27.5% | 15.4% |
| **Much better** | 10.6% | 3.7% |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 17*

Veterans with the largest award amount and the oldest respondents are more likely than any other group of veterans to rate their current financial situation as being better than before they received VA pension (61% and 62%, respectively) (Appendix D, Table 17). Conversely, the younger veterans and respondents with the smallest pensions are the most likely to rate their current financial situation as being worse than in the year before receiving VA benefits (28% and 17%, respectively). A somewhat different pattern of the results is found for the spouses. The older spouses and those with awards of $100–$400 are more positive in their assessment of the impact of the VA program on their financial situation (33% and 42%, respectively) than other groups of spouses (Appendix E, Table 17). Conversely, spouses with children, the youngest spouses, and those with the largest award amounts perceive the impact of the VA program more negatively (44%, 54%, and 43%, respectively) than other respondents.

### 2. How does current income compare with income level before receiving benefits?

Veterans are more positive than spouses in their ratings of the current household income, compared with the household income before receiving VA benefits. More than half of the recent veteran enrollees (56%) rate their current household income, including the VA pension benefit, as more than in the year before they began receiving VA benefits, compared with about one-quarter of the spouses (27%)(Exhibit 8.17). In contrast, 28 percent of veterans and 38 percent of the spouses report a decrease in their current household income, compared with the year before receiving VA benefits. However, a higher percentage of spouses (29%) report their current household income to be the same as before receiving VA pension than veterans do (16%).

**Exhibit 8.17. Pensioners' Ratings of Current Household Annual Income, Including VA Benefits, Compared with Household Annual Income Before They Began Receiving VA Benefits**

| Ratings of Current Household Annual Income Compared with Household Annual Income Before VA Benefits | Percentage of Recent Veteran Pensioners | Percentage of Recent Spouse Pensioners |
|---|---|---|
| **About the same** | 15.5% | 28.7% |
| **Less** | 27.5% | 38.2% |
| **More** | 56.3% | 27.2% |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 12*

Veterans with the largest award amount and the oldest respondents are more likely than any other group of veterans to rate their current household income as being more than before they received a VA pension (62% and 62%, respectively) (Appendix D, Table 12). Conversely, the youngest veterans and respondents with awards of $100–$400 are the most likely of all groups of veterans to rate their current household income as being less than in the year before the VA benefits (30% and 33%, respectively). Among spouses, those with awards $100–$400 and respondents aged 65–79 are more likely to consider their current household income as being more than before receiving a VA pension (32% and 35%, respectively) than other groups of spouses. Spouses with children and younger respondents are the most likely to report their household income as being less than before receiving a VA pension (58% and 60%, respectively) (Appendix E, Table 12).

Comparing the actual amount of the total yearly household income reported by new veteran enrollees before and after receiving the benefits, the VA benefit increases the household income of veterans by an average of about $2,000 (Appendix D, Table 12.1). Before receiving a VA pension, recent veteran enrollees had an average total household income of $16,615. Counting all the sources of income, including any earnings, interests, Social Security pensions, and other benefits including their VA pension, veterans report their average total household income after receiving VA benefits to be $18,616. The oldest veterans report the largest increase in total annual household income ($2,539), while veterans with awards of $100–$400 report a decrease in annual household income ($1,298) compared with their income before receiving VA benefits.

Different results were obtained for the spouses. Overall, spouses report their total annual household income before VA pension to be $12,475 and their current household income including their VA pension to be $9,139, which is a $3,336 decrease in the household income (Appendix E, Table 12.1). All groups of spouses report a decrease in the amount of their current household income compared with the year before receiving VA pension, especially the younger spouses who report a decrease of $7,482 in their household income. The loss of the income provided by the deceased veteran is the likely cause of such a drastic decrease in spouses' reports of the amount of current household income, compared with the year before receiving VA benefits.

### 3. Did pensioners have difficulties paying for living expenses in the past 12 months, compared with the year before receiving VA benefits?

Their VA pension enabled many new program enrollees to pay for more of their basic living expenses. A majority of new program participants (65% of veterans and 52% of spouses) had difficulties or were unable to pay for their basic living expenses in the year before they enrolled in the VA Pension

program (Exhibit 8.18). However, this proportion fell to one-third (32% of veterans and 35% of spouses) for the recent enrollees who report having difficulties or inability to pay for their living expenses in the past 12 months. Veterans with the largest pension amount and those aged 65–79 have the largest decrease in the percentage of respondents who were unable to fully pay for their living expenses (39% and 42% decrease respectively) (Appendix D Table 16). Veterans with children and respondents with the smallest pensions report the smallest decrease in the percentage of respondents who were unable to fully pay for their living expenses (21% and 21% decrease, respectively). Among spouses, those with monthly pensions of $100–$400 and spouses aged 65–79 evidence the largest decrease in the percentage of respondents reporting inability to fully cover living expenses in the past 12 months, compared with the year before receiving a VA pension (35% and 29% decrease, respectively). Conversely, the younger spouses and those with the largest awards have the smallest decrease in the percentage of respondents with difficulties paying for living expenses (9% and 9% decrease, respectively).

**Exhibit 8.18. Percentage of Pensioners Who Had Difficulty or Inability to Pay for Living Expenses in the Past 12 Months Compared with the Year Before Receiving VA Benefits**

| Veterans Who Had Difficulty or Inability to Pay for Living Expenses | Percentage of Recent Veteran Pensioners | Percentage of Recent Spouse Pensioners |
|---|---|---|
| **In the year before began receiving VA benefits** | 64.8% | 52.2% |
| **In the past 12 months** | 32.4% | 34.6% |
| **Percentage Change** | **32.4%** | **17.6%** |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Table 16*

Compared with White VA pension recipients, a substantially greater percentage of non-White respondents indicate that they either had difficulties paying for their living expenses or were not able to pay for their living expenses both before and after receiving a VA pension (Exhibit 8.19). Non-White veterans are more likely than White veterans to report having difficulty or inability to pay for their living expenses in the year before receiving a VA pension (73% of non-White veterans and 63% of White veterans) and in the past 12 months (54% of non-White veterans and 28% of White veterans). The difference between White and non-White respondents is even greater among spouses. Non-White spouses are more likely than White spouses to report having difficulty or inability to pay for their living expenses in the year before receiving a VA pension (64% of non-White spouses and 49% of White spouses) and in the past 12 months (71% of non-White spouses and 25% of White spouses). It appears the VA pension is not enough to help non-White spouses compensate for the loss of spousal income, as greater percentage of non-White spouses report having difficulties or inability to pay for their current living expenses than in the year before they received a VA pension.

**Exhibit 8.19. Percentage of Pensioners Who Had Difficulty or Inability to Pay for Living Expenses in the Past 12 Months, Compared with the Year Before Receiving VA Benefits, by Race**

| Veterans Who Had Difficulty or Inability to Pay for Living Expenses | Percentage of White Veterans | Percentage of Non-White Veterans |
|---|---|---|
| **In the year before began receiving VA benefits** | 62.9% | 73.1% |
| **In the past 12 months** | 27.6% | 53.8% |
| **Percentage Change** | **35.3%** | **19.3%** |
| **Spouses Who Had Difficulty or Inability To Pay for Living Expenses** | **Percentage of White Spouses** | **Percentage of Non-White Spouses** |
| **In the year before began receiving VA benefits** | 49.1% | 64.3% |
| **In the past 12 months** | 25.0% | 71.4% |
| **Percentage Change** | **35.3%** | **19.3%** |

*Source: Survey of Veteran and Spouse Pensioners*

### 4. What are pensioners' three highest living expenses before and after receiving VA benefits?

In the year before receiving a VA pension, recent enrollees report that their three highest living expenses were food (60% of veterans and 49% of spouses), utilities (55% of veterans and 66% of spouses), housing (54% of veterans and 38% of spouses), and health care (21% of veterans and 34% of spouses). With respect to the annual amounts of these expenses, the most costly expense is health care ($5,845 for veterans and $7,841 for spouses), followed by housing ($4,619 for veterans and $5,434 for spouses), and food ($2,977 for veterans and $3,064 for spouses) (Exhibit 8.20). Loans or debt payment is an additional living expense that is not frequently cited by the respondents (6% of veterans and 2% of spouses) but is a substantial annual expense ($4,453 for veterans and $4,667 for spouses) (Appendices D and E, Tables 13 and 13a).

**Exhibit 8.20. Pensioners' Most Frequently Cited Highest Living Expenses in the Year Before Receiving VA Benefits, and the Annual Amount**

| Most Frequently Cited Highest Living Expenses | Percentage of Recent Veteran Enrollees | Annual Amount |
|---|---|---|
| Food or groceries | 59.9% | $2,977.24 |
| Utilities | 54.9% | $2,325.36 |
| Housing, such as rent or mortgage | 53.5% | $4,619.24 |
| Health care expenses | 21.1% | $5,845.30 |
| Car or transportation | 17.6% | $3,175.33 |
| **Most Frequently Cited Highest Living Expenses** | **Percentage of Recent Spouse Enrollees** | **Annual Amount** |
| Utilities | 66.2% | $2,789.85 |
| Food or groceries | 49.3% | $3,064.07 |
| Housing, such as rent or mortgage | 38.2% | $5,434.33 |
| Health care expenses | 33.8% | $7,840.86 |
| Car or transportation | 11.8% | $1,652.00 |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Tables 13 and 13a*

There is little change in the living expenses identified as pensioners' three highest after receiving their VA pension. Among all respondents, the same living expenses are cited as highest living expenses in the past 12 months—food (65% of veterans and 60% of spouses), utilities (64% of veterans and 71% of spouses), and housing (54% of veterans and 46% of spouses) (See Exhibits 5.3.a and 5.3.b). The major difference in the patterns is health care expenses—a higher percentage of recent awardees cite it as one of their highest living expenses in the year before receiving VA pension (21% of veterans and 34% of spouses), compared with the 16 percent of all veterans and 23 percent of all spouses who cite health care as one of the highest living expenses in the past 12 months. It may be that high health care costs motivated these enrollees to seek a VA pension; these findings could also mean that current pensioners are spending less on health care because they cannot afford it.

### 5. Did pensioners' health status change since receiving VA pension?

New program enrollees, who began receiving benefits after 2000, report that their health status was better before they began receiving a VA pension. This is to be expected for veterans because total disability and advancing age are conditions for pension eligibility. Some veterans' health status downgraded from good to fair or poor since they began receiving a VA pension. Before receiving a pension, 20 percent of recent veteran enrollees rated their health as fair, 54 percent rated it as poor or very poor, and 26 percent rated it as good, very good, or excellent (Exhibit 8.21.a). After receiving a VA pension, the percentage of veterans rating their health as poor or very poor remained about the same (58%), but the percentage of veterans rating their health as good, very good, or excellent dropped to 15 percent, and the percentage of those rating their health as fair increased to 25 percent.

**Exhibit 8.21.a. Recent Veteran Enrollees' Ratings of Health Status in the Year Before Receiving VA Benefits, and Current Health Status**

| Ratings of Health Status | Percentage of Recent Veteran Enrollees' Rating Health Status Before Receiving VA Benefits | Percentage of Recent Veteran Enrollees' Rating Current Health Status |
|---|---|---|
| Very poor | 19.0% | 19.7% |
| Poor | 35.2% | 38.7% |
| Fair | 19.7% | 25.4% |
| Good | 16.9% | 11.3% |
| Very good | 4.2% | 1.4% |
| Excellent | 4.9% | 2.1% |

*Source: Survey of Veteran Pensioners, Appendix D, Tables 18a and 18b*

The health status of spouses also shows a decline since they began receiving their VA pension. This can be expected because of the advanced age of spouses and the general relationship between advanced age and declining health. Before receiving benefits, 37 percent of recent spouse enrollees rated their health as fair, 27 percent rated it as poor or very poor, and 36 percent rated it as good, very good, or excellent (Exhibit 8.21.b). After receiving VA benefits, the percentage of spouses rating their health as poor or very poor increased to 40 percent, but the percentage of spouses rating their health as good, very good, or excellent dropped to 27 percent, and the percentage of those rating their health as fair decreased to 33 percent. Deteriorating health is a key reason that pensioners cite for seeking a VA pension, and health continues to deteriorate as the pensioners age.

**Exhibit 8.21.b. Recent Spouse Enrollees' Ratings of Health Status in the Year Before Receiving VA Benefits, and Current Health Status**

| Ratings of Health Status | Percentage of Recent Spouse Enrollees' Rating Health Status Before Receiving VA Benefits | Percentage of Recent Spouse Enrollees' Rating Current Health Status |
|---|---|---|
| Very poor | 7.4% | 11.0% |
| Poor | 19.1% | 28.7% |
| Fair | 36.8% | 33.1% |
| Good | 25.7% | 19.9% |
| Very good | 8.1% | 7.4% |
| Excellent | 2.2% | 0.0% |

*Source: Survey of Spouse Pensioners, Appendices D and E, Tables 18a and 18b*

### 6. Did pensioners' health care expenses change since they began receiving a VA pension?

More than half of the veterans (58%) and more than three-quarters of the spouses (78%) who began receiving a VA pension after 2000 indicate that they paid for some of their health care expenses before they received a VA pension, averaging $2,927 for veterans and $3,708 for spouses annually (Exhibit 8.22). The most frequently cited health care expenses in the year before recent enrollees began receiving a VA pension are prescription medications (25% of veterans and 38% of spouses), doctor visits (21% of veterans and 26% of spouses), eyeglasses or eye exams (15% of veterans and 22% of spouses), and health insurance payments (14% of veterans and 30% of spouses). Some

veterans paid for emergency room visits (14%), while some spouses received dental care (13%), in the year before receiving a VA pension.

The most costly annual health care expenses are prescription medications (averaging $2,132 for veterans and $2,053 for spouses), health insurance premiums (averaging $2,019 for veterans and $1,632 for spouses), and dental care (averaging $1,073 for veterans and $901 for spouses). Among veterans, emergency room visits also require a significant annual payment (averaging $1,426), while among spouses, chemotherapy or cancer treatments are extremely costly (averaging $9,600) for a small percentage of spouses who incurred this health care expense (2%). Hospitalization is another health care expense that is not frequently cited in the year before receiving a VA pension (9% of veterans and 7% of spouses) but is a substantial annual expense (averaging $5,517 for veterans and $1,919 for spouses) (Appendices D and E, Tables 14 and 14a).

**Exhibit 8.22. Recent Pensioners' Health Care Expenses in the Year Before Receiving VA Benefits**

| Most Frequently Cited Health Care Expenses | Percentage of Recent Veteran Enrollees with Each Expense | Average Annual Amount |
|---|---|---|
| **Prescription medications** | 25.4% | $2,132.47 |
| **Doctor visits** | 21.1% | $538.53 |
| **Eyeglasses and/or eye exams** | 15.5% | $181.41 |
| **Emergency room visits** | 14.1% | $1,426.31 |
| **Health insurance premiums** | 14.1% | $2,019.47 |
| **Dental care** | 11.3% | $1,073.33 |
| **Laboratory testing or monitoring** | 9.2% | $640.83 |
| **Total Health Care Expenses** | **57.7%** | **$2,926.91** |
| **Most Frequently Cited Health Care Expenses** | **Percentage of Recent Veteran Enrollees with Each Expense** | **Average annual Amount** |
| **Prescription medications** | 38.2% | $2,053.36 |
| **Health insurance premiums** | 30.1% | $1,631.56 |
| **Doctor visits** | 25.7% | $446.91 |
| **Eyeglasses and/or eye exams** | 22.1% | $185.38 |
| **Dental care** | 13.2% | $900.67 |
| **Nonprescription medications** | 11.0% | $334.15 |
| **Hospitalization** | 7.4% | $1,919.33 |
| **Total Health Care Expenses** | **77.9%** | **$3,708.00** |

*Source: Survey of Veteran and Spouse Pensioners, Appendices D and E, Tables 14 and 14a*

Although a much smaller percentage of pensioners report paying for health care expenses in the past 12 months (28% of veterans and 32% of spouses) than in the year before receiving a VA pension (58% of veterans and 78% of spouses), the pattern of the most frequently cited health care expenses does not change (Exhibit 5.5). Among all pensioners, the most prevalent health care services in the past 12 months are prescription medications (10% of veterans and 17% of spouses), doctor visits (8% of veterans and 12% of spouses), and eyeglasses or eye exams (6% of veterans and 7% of spouses). However, a substantially smaller percentage of respondents report paying for health insurance premiums in the past 12 months (2% of veterans and 3% of spouses) than in the year before they received a VA pension (14% of veterans and 30% of spouses). This drop in the percentage of respondents who report paying for health insurance is likely due to respondents getting health

coverage from Medicare or Medicaid, which does not require a premium payment. This, in turn, explains why a smaller percentage of respondents report paying for health care services in the past 12 months than in the year before receiving their VA pension.

# E. WHAT IS THE ESTIMATE OF PROVIDING VA HEALTH CARE TO SURVIVING SPOUSES AND DEPENDENT CHILDREN?

One study requirement is to estimate the potential use of VA medical care services by survivors who receive pensions, if they were made eligible for benefits. Currently, only veterans are eligible to enroll and to receive health care from VA medical facilities. Surviving spouses and dependent children of deceased veterans are not eligible to enroll in the veterans' VA health care system, although dependents of service-connected, 100 percent disabled veterans can enroll in CHAMPVA.

Our estimate of the potential use of VA health care services by survivor beneficiaries includes a projection of the number of beneficiaries who would use the benefits and the cost of providing health care benefits to this newly enfranchised group. Making such a projection requires a number of assumptions about the nature of the benefits that would be provided and the likelihood that death pension beneficiaries would actually use the benefits.

VA provides health care services to veterans according to eight priority groups. Most veterans who receive a pension are in Priority Group 5. They are veterans who have nonservice-connected disabilities or who have noncompensable service-connected disabilities that are rated at 0 percent and whose annual incomes and net worth are below the established dollar thresholds shown in Exhibit 8.23. We assume that surviving spouses would have to meet these income and net worth limits in order to qualify for VA health care. Veterans in Priority Group 5 are eligible to receive the VA health care benefits shown in Exhibit 8.24.

**Exhibit 8.23. Family Annual Income Limit**

| Status | 2002 | 2003 |
|---|---|---|
| **Veteran with no dependents** | $24,304 | $24,644 |
| **Veteran with one dependent** | $29,168 | $29,576 |
| **Each additional dependent** | $1,630 | $1,653 |
| **Total Income and Net Worth** | **$80,000** | **$80,000** |

*Source: Veterans Health Administration (VHA Directive 2002-082 and 2001-078)*

**Exhibit 8.24. Summary of Veterans' VA Health Care Benefits and Copayments for Health Care Priority Group 5, CY2002**

| Type of Benefit | Description of Benefit | Copayment |
|---|---|---|
| **Inpatient hospitalization** | Inpatient hospital, medical, surgical and mental health care, substance abuse care and maternity at VA facility | No copay required |
| **Outpatient surgical and Diagnostic testing/Labs** | Outpatient, hospital, medical, surgical, mental health care, substance abuse care at VA facility | No copay required |
| **Outpatient prescription drugs** | Outpatient prescriptions and over-the-counter medications dispenses from a VA pharmacy—<br>Nonservice-connected conditions<br><br>Service-connected conditions | $7 per 30-day supply, up to maximum of $840<br><br>No copay required |
| **Outpatient mental health care and substance abuse care** | Outpatient counseling services | No copay required |
| **Primary care visits** | Outpatient visits for preventative screening, immunizations, laboratory, flat film radiology services, and EKGs | No copay required |
| **Specialty care visits** | Specialty care requiring referral such as nonroutine radiology services, audiology, optometry, MRI, CAT scan, nuclear medicine studies, surgical consults, and ambulatory surgery | No copay required |
| **Emergency medical care** | Outpatient emergency visits to VA facility | No copay required |
| **Nursing home care** | Non-acute illness and not in need of hospital care if space and resources are available | No copay required |
| **Durable medical equipment and prosthetics** | Includes artificial limbs, orthopedic braces and shoes, wheelchairs, crutches, etc. | No copay required |
| **Domiciliary care** | Rehabilitative and long-term health-maintenance care for veterans who require minimal medical care but do not need skilled nursing services provided in nursing home setting | No copay required |
| **Dental care** | Includes exams and diagnostic, surgical, restorative, and preventative procedures for the following veterans with nonservice-connected dental conditions determined by VA to be aggravating a medical problem<br>This is not a true dental plan. Benefits are applicable for certain cases | No copay required |

*Source: Veterans Benefits Administration (http://www.va.gov/elig/)*

Our projection assumes that surviving spouses would receive the same benefits as veterans in Priority Group 5, although they would not necessarily be assigned the same priority. A new priority code would most likely be established for the new group of eligibles.

An important consideration in the design and utilization of benefits is the availability of other health care coverage and the probability that a survivor would use that other coverage rather than the VA health care system. Other insurance can come from three sources: 1) private insurance, 2) other insurance related to the veteran's service, and 3) other Government programs. Few survivors who have coverage under either of the first two categories would be eligible for VA coverage as explained below.

Private insurance would be obtained either through an employer or through private purchase. Few of the potential beneficiaries would have private insurance. Very few, if any, survivors would have private insurance through an employer and still qualify for VA health care because their incomes would most likely exceed the thresholds shown above. Few, if any, survivors would be able to purchase private insurance if their incomes were below the thresholds.

Insurance related to the veteran's service could include either TRICARE or CHAMPVA. To be eligible for TRICARE, the veteran must be retired or must have died in service. Consequently, the survivor would receive either a survivor benefit from the military retirement system or Dependency and Indemnity Compensation (DIC). Survivors who are not eligible for TRICARE or Medicare Part A may be eligible for CHAMPVA if they are one of the following:

- A spouse or child of a veteran who has a permanent and total service-connected disability
- A spouse or child of a veteran who died of a service-connected condition or was totally disabled from a service-connected condition at the time of death
- A spouse or child of a person who died in the line of duty and not due to misconduct
- Survivors covered by CHAMPVA and who also receive DIC.

In summary, survivors who are eligible for either TRICARE or CHAMPVA, in nearly all cases, would have incomes that disqualify them for extension of VA health care benefits.

Other Government programs include Medicaid and Medicare. More than 95 percent of survivors over age 65 would be expected to have Medicare coverage. An extension of the VA health care system benefits to survivors would require a design that reflects Medicare and Medicaid coverage. Variations in the interaction of the programs would affect the cost of the extended program. Our projection assumes that the interaction of Medicare and Medicaid would result in cost effects that are similar to those of other insurance policies for people covered by TRICARE or the current VA health care system.

Our projection of the participation in a new survivor health care benefit is based on our estimate of the total population of survivors eligible for a survivor's pension, not just current beneficiaries. Many survivors in the unserved population who have not previously applied for a pension because they believe that the benefit is too small or not worth the effort might apply if the pension program also carried eligibility to health care benefits.

Further, it is possible that the proposal might have to be extended to some survivors who are not eligible for VA pension because they have income above the threshold limits. Those who are above the limits would argue that they should not be penalized because their income is too high. One approach is to create a new priority category for survivors, such as Priority Group 10.

For example, one widow with no dependent might have $6,496[1] in other income and therefore qualify for a $1 VA pension benefit. Another widow with no dependent who has other income of $6,498 would not qualify for VA pension. It would appear to be inequitable to provide coverage under the VA health care system to the first widow but not the second.

Another complication would be the interaction of the VA health care system and the deduction for unreimbursed medical care in determining whether a survivor has countable income below the level needed to receive a VA pension benefit. Use of the VA health care system would reduce the unreimbursed medical care expenses, which in turn would increase the net income. That could result in the loss of their VA pension and the right to health care.

As a result of the above considerations, we believe it would be reasonable to project the costs not only for the total number of survivors currently receiving a pension, but also for the unserved population, as described in Chapter 3. The actual population could be less if all currently unserved survivors did not elect the VA pension. On the other hand, it could be more if the benefit was extended to those with income above the VA pension limits.

The cost of expanding VA health care eligibility to survivor pensioners includes the utilization and cost per episode of care. The actual use of health care by survivors and the cost of that care depend on a number of factors for which there are not specific data, since survivors do not currently use the VA health care system. These unknown factors include the extent to which the survivors will continue to use non-VA sources of health care and the differences between the utilization of health care for survivors and veterans.

When health care is extended to a new group, the actuarial practice is to use experience for similar groups as a basis for the estimated cost. The closest matches to the demographics and benefits for survivors are the current experience under the VA health care system and TRICARE. While the demographics and design of these two systems vary widely, the experience has been reasonably close to use as a guide for this estimate of the proposal's approximate cost.

The first source of data is the cost of care for survivors receiving health care coverage from TRICARE. This is a population of surviving spouses and dependents of veterans, but their health care is delivered in a much different set of circumstances and facilities than the VA health care system for veterans. The claim costs for inpatient, outpatient, and prescription drug under TRICARE are obtained from the report *Analysis of the U.S. Military's Projected Retiree Medical Liabilities as of September 30, 2000* (Milliman Report) conducted by Milliman and Robertson for the Department of Defense (DoD).

The second source of health care experience is the current utilization of services under the VA health care system by veterans and the costs of those services. One important difference between the

[1] Effective December 1, 2002, the countable family income limit for a surviving spouse with no dependent is $6,497.

existing and new population is that the existing population is primarily male and the new population would be primarily female.

The average per-person costs in Exhibit 8.25 are from experience for veterans who are enrolled in the VA health care system and survivors who are enrolled in TRICARE. The eventual enrollment among the survivors eligible for VA health care would be fairly high, since these survivors have low income. We suspect that enrollment would be lower in the early years. The exhibit shows a first-year cost assuming that 25 percent of the eligible survivors enroll in the VA Pension program in the first year. Thus, if 25 percent of current spouse pensioners who are unserved beneficiaries used the new health care benefit during all of 2002, the cost to VA would have been approximately $2.17 billion.

**Exhibit 8.25. Projected Cost of Health Care for Surviving Spouses and Children for FY 2002**

| Age | Current plus Unserved Survivors | Per Person Cost | Total Cost at 25% Enrollment in VA Health Care |
|---|---|---|---|
| **<35** | 1,391 | $2,346 | $815,727 |
| **35–44** | 6,102 | $2,346 | $3,578,999 |
| **45–54** | 49,943 | $4,555 | $56,867,155 |
| **55–64** | 63,793 | $4,555 | $72,637,322 |
| **65–74** | 505,130 | $5,133 | $648,243,506 |
| **75-84** | 789,944 | $5,133 | $1,013,750,649 |
| **85+** | 285,845 | $5,133 | $366,831,070 |
| **Total Spouses** | 1,702,148 | | $2,162,724,431 |
| **Total Children** | 15,626 | $1,455 | $5,685,600 |
| **Total Spouses and Children** | **1,717,774** | | **$2,168,410,031** |

*Source: Study Team*

# F. SUMMARY

Most VA pensioners believe that their VA benefit provides either moderate or little financial security. The VA pension benefit is not sufficient to cover the primary living expenses of more than two-thirds of all pensioners. They describe their financial situation as either barely being able to pay for their basic necessities or having to make major sacrifices. Financial difficulties of VA pensioners are further reflected in the finding that approximately one-third of the respondents indicate that they either experienced difficulty paying were unable to pay for various living expenses such as food, utilities, and housing. Furthermore, more than half of the respondents ran out of money and had to cut back on their living expenses during the past 12 months. The financial situation of many of the VA pensioners is likely to deteriorate over time. For approximately half of the respondents, the VA benefit covers only some of the cost-of-living increases but not most or all. For about a quarter of the veterans, the VA benefit has not covered any of their cost-of-living increases.

As a result of difficulties in paying for everyday living expenses, more than three-quarters of the VA pensioners had to find means to cover the living expenses by devising strategies where their basic

necessities, such as food, utilities, and health care, are cut to a minimum to get by or are not obtained at all. For most respondents, day-to-day living is defined by having to choose how much and what kind of food they can afford to consume, forgoing necessary health care services to save money, deciding how much they can afford to use heat or air-conditioning, cutting back on clothing and transportation expenses, and having to borrow money or rely on credit cards to meet basic living expenses.

Having enough food and having food that provides a balanced nutritional meal are serious unmet needs of many VA pensioners. Two-thirds of pensioners use food-related strategies to save money for other living expenses. They frequently sacrifice their nutrition, and perhaps long-term health, by consuming cheaper and less nutritious foods in smaller portions to save money to pay for other basic necessities. Respondents also indicate that buying more food is the first thing they would do if they had some extra money.

VA pensioners report that they cut back on using basic preventative and routine health care services to save money, or they eliminate obtaining health care altogether when their financial resources are depleted. More than a third of the respondents use health care-related strategies to compensate for not having enough money to cover basic living expenses. As a result, about a quarter of the respondents report not getting health care services that they need, including dental care, eyeglasses or eye exams, prescription medications, and doctor visits. VA pensioners' need to cut back on health care services is a serious issue, particularly given the poor health condition of many respondents, who have an average of four major health problems and physical limitations that affect their activities of daily living and quality of life. If VA health care benefits were extended to spouses, the cost to VA would be $2.17 billion, assuming that 25 percent of all eligible spouses enrolled in VA health care.

In addition to the food-related and health care-related money-saving strategies, almost half of the VA pension recipients also had to cut back on basic housing expenses by reducing or avoiding the use of air conditioning and heat, and by not paying fully or not paying at all for the utility bills. The respondents' poor financial situation is also evident by their use of other strategies to stretch their limited income. More than half of the pensioners cut back on purchasing new clothing and shoes, stay home because any kind of travel or transportation is too expensive, or pay for expenses by borrowing money from other people or by incurring credit card debt. The use of the money-saving strategies is not a rare occurrence—most of the respondents use each of these strategies at least a few times a year, and about half of those respondents who cut back use the most frequently cited strategies all of the time. Furthermore, VA pensioners use these strategies concurrently to save money to pay for living expenses when their VA pension (as well as other financial resources) run out too soon. Larger percentages of pensioners with children, those younger than 65 years of age, and non-Whites report a far greater financial need and use money-saving strategies more than other pensioners.

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

# CHAPTER 9. SATISFACTION

This chapter addresses the satisfaction of veterans and spouses who participate in the VA Pension program. Analyses were conducted to determine veterans' and spouses' overall level of satisfaction with the program, as well as satisfaction with key aspects of the program. The objectives of these analyses are as follows:

- Measure the overall satisfaction level of the beneficiaries
- Measure the satisfaction level of respondents with specific program attributes such as benefit amount or receiving benefit on time
- Determine which program attributes are the most important in affecting overall customer satisfaction
- Identify areas of improvement that will have the greatest impact on satisfaction.

Respondents were asked a set of questions related to satisfaction. The questions concerned overall satisfaction and satisfaction with the following items:

- Application process overall
- Sending in information on changes to situation
- VA staff
- Amount of benefit
- Counting the income of spouses in calculating veterans' benefit amount[1]
- Counting the income of dependent children in calculating pension amount
- Counting net worth in calculating pension amount
- Counting proceeds of the sale of the home in calculating pension amount
- Treatment of unreimbursed medical expenses in determining pension amount
- Overall service experience since receiving VA benefit.

Pensioners' overall rating of the program is based on a six-point scale, beginning with excellent; satisfaction ratings for individual process use the following six levels ranging from "Very satisfied" to "Very dissatisfied:"

- 6 = Very satisfied
- 5 = Satisfied
- 4 = Somewhat satisfied
- 3 = Somewhat dissatisfied
- 2 = Dissatisfied
- 1 = Very dissatisfied

[1] Asked only of veterans.

The responses that did not express the level of satisfaction/dissatisfaction such as "None of the above," "Don't know or not sure," and "Refused to answer" were coded but not analyzed.

To analyze the survey responses on customer satisfaction, we relied primarily on the calculation of average ratings and the frequency distribution of the 10 satisfaction ratings. We also calculated the relative importance of each program attribute to overall satisfaction. Our approach was not to directly ask respondents which attributes contributed most to their overall satisfaction, but to base the assessment of what factors most influence overall satisfaction on the strength of the statistical correlations between satisfaction with a given attribute and overall satisfaction. The attributes of satisfaction that correlate more strongly with overall satisfaction are more important than attributes with little correlation with overall satisfaction. An attribute can have a low satisfaction score but still correlate highly with overall satisfaction and vice versa. From a program manager's point of view, attributes that have the most potential for improving satisfaction are those with a low satisfaction score and a high correlation with overall satisfaction.

Tabulations of average survey results show that the majority of spouse and veteran respondents (60% of veterans and 63% of spouses who provided a rating) rate the program as "excellent" or "good." These ratings are equivalent to the satisfaction scale presented previously and used throughout the survey. Although most of the respondents rate the program highly, satisfaction scores still show enough variation to allow us to assess differences in satisfaction scores by program attributes.

Veteran and spouse pensioners are most satisfied with the staff at the Regional Office or Service Call Center. Pensioners are less satisfied with their overall service experience. We also found that the most important factor driving overall satisfaction for both groups is the amount of the benefit.

# A. HOW SATISFIED ARE PENSIONERS WITH THEIR VA PENSIONS?

Exhibit 9.1 shows the average satisfaction scores for overall satisfaction and the 10 attributes of the VA pension process. Overall satisfaction with the VA Pension program is 4.55 for spouses and 4.41 for veterans.

**Exhibit 9.1. Average Satisfaction Scores for Surviving Spouse and Veteran Pension Survey Respondents**

| Satisfaction | Average* Score for Veterans | Average* Score for Spouses |
|---|---|---|
| **Overall satisfaction with pension program** | 4.41 | 4.55 |
| **VA staff** | 5.00 | 5.11 |
| **Application process overall** | 4.73 | 4.89 |
| **Sending information** | 4.72 | 4.77 |
| **Treatment unreimbursed medical expenses** | 4.41 | 4.48 |
| **Counting net worth** | 4.28 | 4.48 |
| **Counting the income of spouses** | 4.06 | N/A |
| **Counting the income of dependent children** | 4.04 | 4.59 |
| **Amount of benefits received** | 3.80 | 4.03 |
| **Counting the proceeds of home sale** | 3.49 | 3.78 |
| **Overall service experience[2]** | 3.47 | 3.44 |
| *Averages based on a scale of 1–6 described previously. | | |

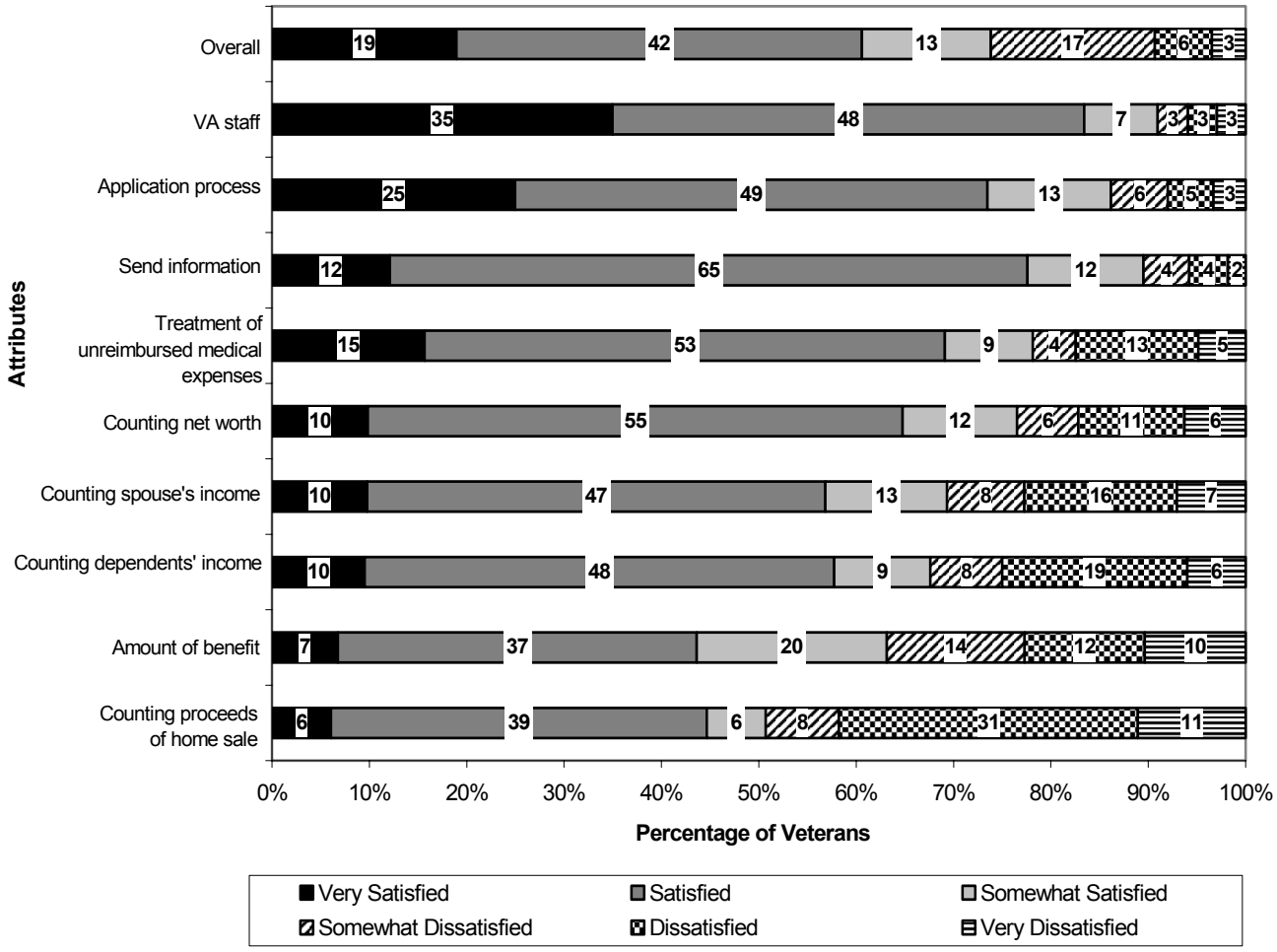
*Source: Q78-81, 83 and Q84 in Survey of Veteran and Spouse Pensioners and Study Team Analysis*

Respondents give the highest satisfaction scores for VA staff (5.11 for spouses and 5.00 for veterans), the application process overall (4.89 for spouses and 4.73 for veterans), and sending information (4.77 for spouses and 4.72 for veterans). Treatment of unreimbursed medical expenses (4.41), counting net worth (4.28), counting the income of spouses (4.06), and counting the income of dependent children (4.04) are scored "somewhat satisfied" by veterans. Counting the income of dependent children (4.59), treatment of unreimbursed medical expenses (4.48), and counting net worth (4.48) are scored "Somewhat satisfied" by spouses. The lowest satisfaction rating by veterans and spouses is for the amount of benefits received (4.03 for spouses and 3.80 for veterans), counting the proceeds of the sale of the home (3.78 for spouses and 3.49 for veterans), and overall service experience (3.44 for spouses and 3.47 for veterans). It is noteworthy that all of the scores, except for three, are above 4.0, which indicates some satisfaction. Exhibits 9.2 and 9.3 show the distribution of responses.

The results are similar to the results of a previous study conducted by the study team for DIC survivors, as well as our current study on the Parents' DIC. In both studies, VA staff had the highest satisfaction rating and the amount of benefits had the lowest satisfaction rating.

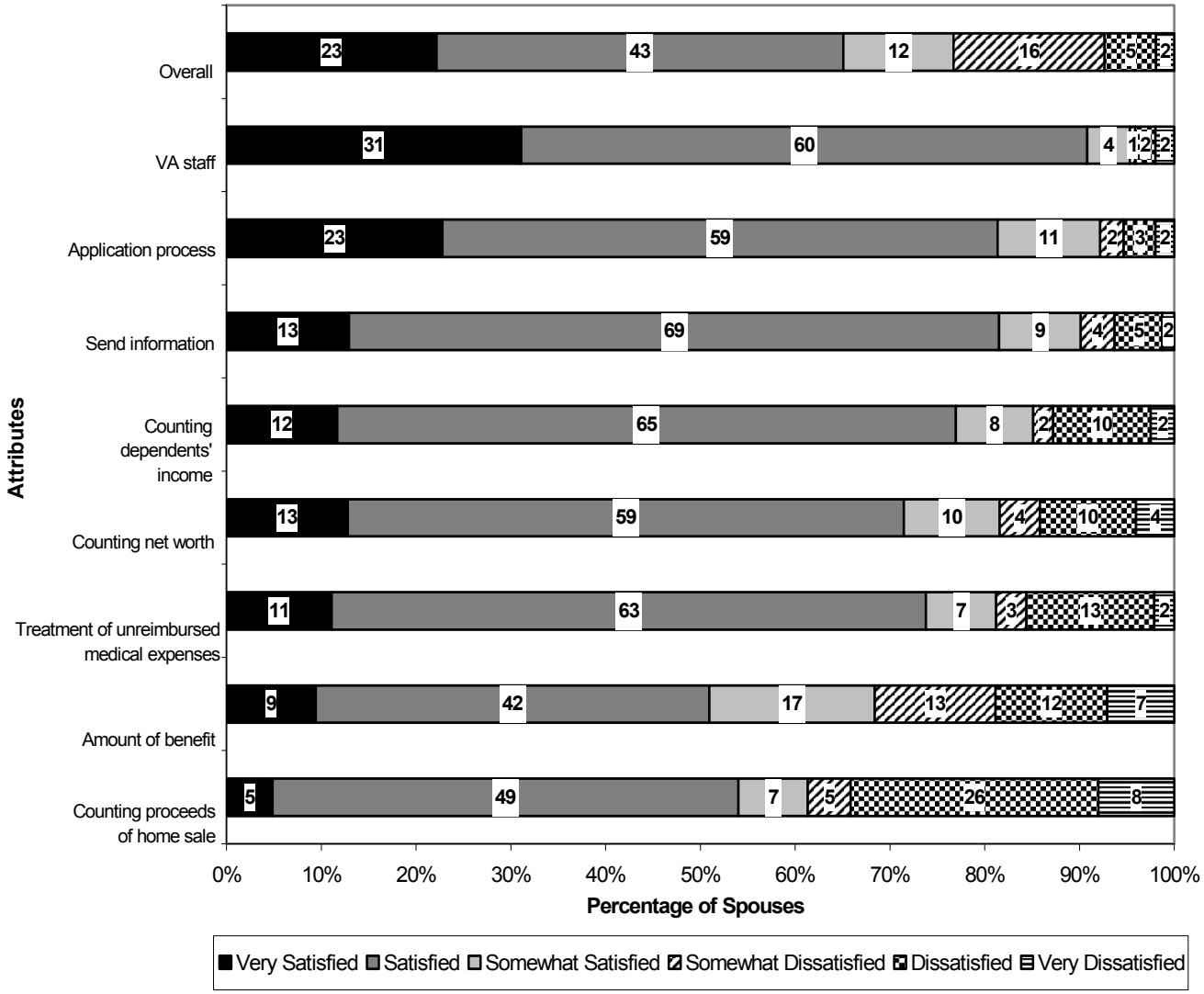
[2] Based on a scale of 1–5, with 5 being the highest level of satisfaction.

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




*Source: Q78-81, 83, and 84 in Survey of Veteran and Spouse Pensioners*

**Exhibit 9.3. Distribution of Satisfaction Scores, by Attribute (For Spouses Who Provided Satisfaction Score)**




*Source: Q78-81, 83 and 84 in Survey of Veteran and Spouse Pensioners*

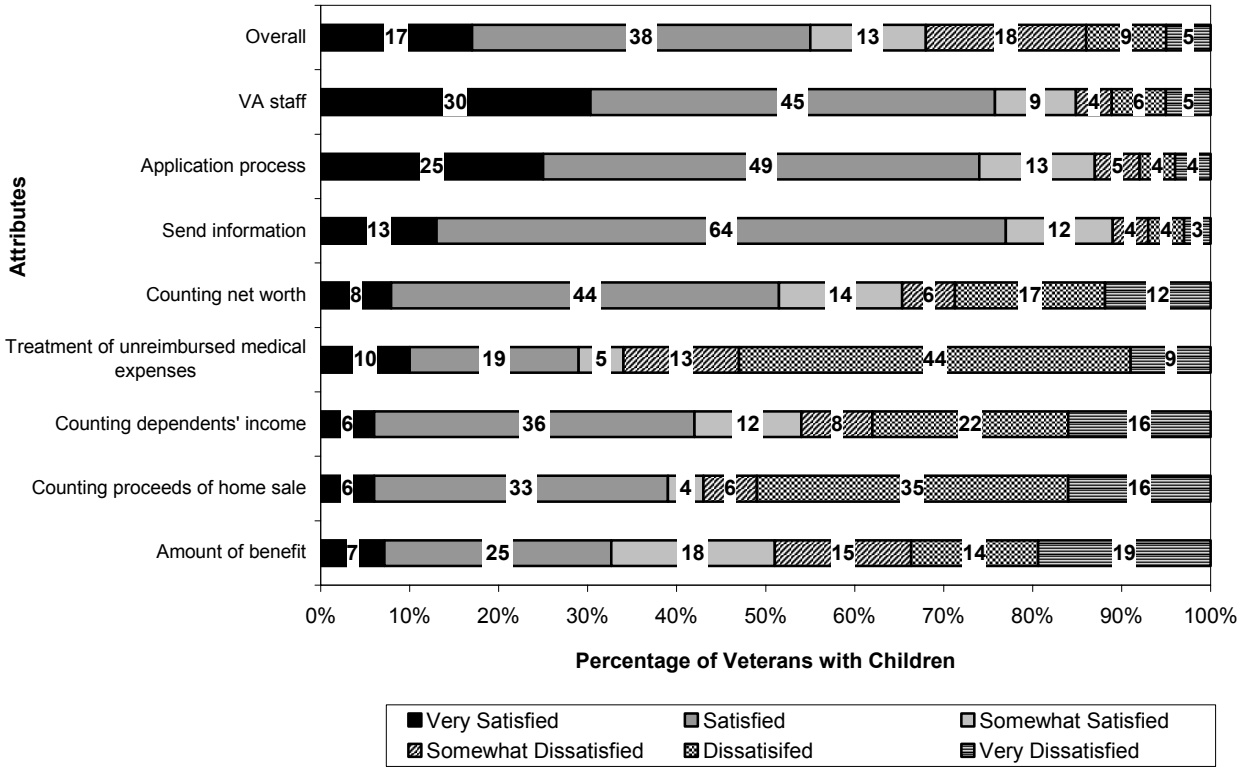
We examined two subsets of the spouse sample, those with children present in the household and those who recently (within the past 2 years) began receiving a pension. In terms of the frequency distribution of responses, spouses with children present have noticeably different satisfaction responses than spouses in general (there is no noticeable difference between the general Spouse sample and those who recently began receiving the benefit). For example, fewer of the spouses with children present indicated that they were "Very satisfied," "satisfied," or "Somewhat satisfied" in the following areas:

- Overall satisfaction
- Amount of benefit
- Counting dependent income

- Counting net worth
- Counting proceeds of home sale (as part of net worth)
- Treatment of unreimbursed medical expenses.

Veterans with children are less satisfied with the program overall, and with specific areas related to the amount of the benefit. Exhibit 9.4 shows the distribution of responses for veterans with children present.

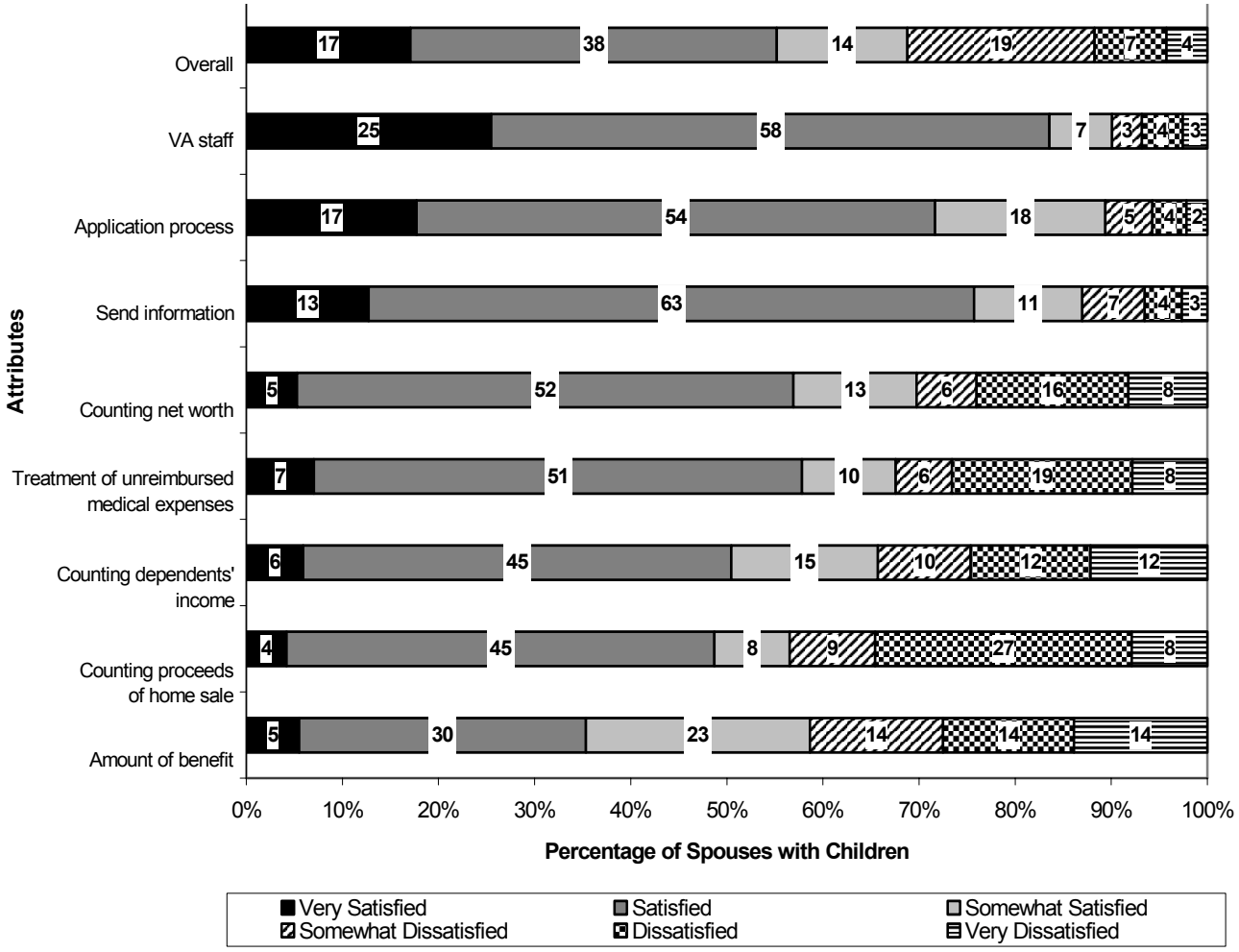
**Exhibit 9.4. Distribution of Satisfaction Scores, by Attribute (For Veterans with Children Who Provided Satisfaction Score)**




*Source: Q78-81, 83, and Q84 in Survey of Veteran Pensioners*

As was found in a previous study on DIC surviving spouses, spouses with children are less satisfied with the program overall and with specific areas related to the amount of the benefit. Exhibit 9.5 shows the distribution of responses for spouses with children present.

**Exhibit 9.5. Distribution of Satisfaction Scores, by Attribute (For Spouses with Children Who Provided Satisfaction Score)**




*Source: Q78-81, 83, and Q84 in Survey of Spouse Pensioners*

# B. WHO IS SATISFIED AND WHO IS NOT?

Average overall satisfaction scores, by veteran and spouse characteristics, are reported in Exhibit 9.6. Findings regarding overall satisfaction of veterans include the following:

- As veterans' age increased, they tend to be more satisfied.
- Male veterans are less satisfied than female veterans.
- African American or Black veterans are less satisfied overall than other races.

Findings regarding overall satisfaction of spouses include the following:

- As spouses' age increases, they tend to be more satisfied.
- As spouses' education increases, they tend to be less satisfied.

**Exhibit 9.6. Average Overall Satisfaction Scores, by Pensioner Characteristic**

| Characteristics of Veteran and Spouse Pensioners | | Veterans | | Spouses | |
|---|---|---|---|---|---|
| | | Average Score for Spouses | Count | Average Score for Veterans | Count |
| **Supported by veteran** | Yes | N/A | N/A | 4.54 | 562 |
| | No | N/A | N/A | 4.59 | 63 |
| **Age** | Less than 65 | 4.31 | 252 | 4.51 | 160 |
| | 65–79 | 4.45 | 277 | 4.56 | 252 |
| | 80 and over | 4.50 | 136 | 4.57 | 214 |
| **Gender** | Male | 4.38 | 625 | 4.78 | 9 |
| | Female | 4.78 | 40 | 4.54 | 618 |
| **Race** | White | 4.47 | 488 | 4.66 | 425 |
| | Black | 4.18 | 141 | 4.27 | 172 |
| | Asian | 5.00 | 1 | 4.50 | 4 |
| | Native Hawaiian, American Indian, or Alaska Native | 4.31 | 13 | 4.89 | 9 |
| | Other | 4.85 | 13 | 3.50 | 8 |
| **Education** | Less than high school | 4.44 | 299 | 4.56 | 371 |
| | High school or GED | 4.49 | 180 | 4.54 | 173 |
| | More than high school | 4.27 | 182 | 4.52 | 79 |
| **Living arrangement** | Private residence | 4.40 | 640 | 4.54 | 585 |
| | Nursing home or assisted-living center | 4.80 | 20 | 4.59 | 39 |
| | Group quarters/Dormitory/ Hotel | 2.00 | 1 | 5.67 | 3 |

*Source: Survey of Veteran and Spouse Pensioners*

A more sophisticated statistical technique, regression analysis, was performed to corroborate the results in Exhibit 9.6. This technique allows us to take into account the simultaneous influences of several factors on satisfaction that the simple mean calculation does not. The dependent variable we used for this analysis was the overall rating of the program. Exhibit 9.7 shows regression results for overall satisfaction with the pension program. Only one attribute shows statistical significance for both the veterans and spouses: race. Whites are more satisfied overall for both veterans and spouses.

**Exhibit 9.7. Overall Satisfaction with the VA Pension Program**

| Factors | Impact | Significance |
|---|---|---|
| **Veterans** | | |
| **Race—White** | More satisfied | Significant at 95% level |
| **Spouses** | | |
| **Race—White** | More satisfied | Significant at 99% level |

*Source: Survey of Veteran and Spouse Pensioners*

# C. WHAT ARE THE KEY DRIVERS OF SATISFACTION?

The study team identified the most important program attributes that affect the beneficiaries' overall satisfaction. This is not a report on what attributes spouses and veterans are most satisfied with, but a report on which attributes contribute the most to overall satisfaction.

Multivariate statistical analysis was used to identify the key drivers of overall satisfaction and determine their respective importance.

Exhibits 9.8 and 9.9 indicate the relative importance of the detailed attributes to overall satisfaction for spouses and veterans, respectively. "Mean satisfaction" indicates the mean—or average—satisfaction rating for that attribute. Exhibits 9.10, 9.11, 9.12, and 9.13 combine the rankings of relative importance and satisfaction scores for each attribute and sorts them into four quadrants of a priority matrix for spouses and veterans. The quadrant areas are determined by the horizontal line (representing "Importance") and the vertical line (representing "Satisfaction"). For veterans, the value for the horizontal line is 22.5 percent, and the value for the vertical line is 4.5, which is approximately the average overall satisfaction rating based on five attributes. For spouses, the value for the horizontal line is 22.5 percent, and the value for the vertical line is 4.63, which is approximately the average overall satisfaction rating based on four attributes.

The attribute that affects the overall satisfaction rating the most for veterans is the amount of the benefit. The attributes that contribute the least to overall satisfaction of veterans are the application process and VA staff. The attributes that affect the overall satisfaction rating of spouses the most are the amount of the benefit and counting net worth. The attribute that contributes the least to the overall satisfaction of spouses is the application process.

The quadrant labeled "Critical Improvement Area" represents the greatest potential for improvement in overall satisfaction. These attributes will need to be addressed for the overall satisfaction score to increase significantly. For spouses, the amount of benefit and counting net worth attributes fall into this area; for veterans, only amount of benefit falls into this quadrant. The lower-right quadrant labeled "Basics" contains the attributes that are of low importance for overall satisfaction but that have high satisfaction scores. This means that VA is meeting the needs of pensioners and does not need to improve them to increase satisfaction. The analysis for spouses indicates that the application process attribute falls into this area; for veterans, the application process and VA staff are in this quadrant. The quadrant labeled "Key Drivers" contains attributes that rank high in importance to the customer and in the customer's stated satisfaction score. VA needs to keep the satisfaction results high for the attributes in this quadrant to maintain a high level of overall satisfaction. Satisfaction with VA Staff falls into this quadrant for spouses; no attribute from veterans falls into this quadrant. The quadrant labeled "Low Yields" contains attributes that rank low in importance to the customer and in the customer's stated satisfaction score. Improving these attributes will not have a large impact on the overall satisfaction of the program. Attributes in this quadrant are "Counting net worth" and "Treatment of unreimbursed medical expenses" for veterans; spouses do not have any attributes that fall into this quadrant.

**Exhibit 9.8. Importance of Program Attributes for Veteran Pensioners**

| Satisfaction | Importance | Mean Satisfaction |
|---|---|---|
| **Amount of benefit** | 32.7% | 3.80 |
| **Application process overall** | 22.2% | 4.73 |
| **Counting net worth** | 18.9% | 4.28 |
| **Treatment of unreimbursed medical expenses** | 14.1% | 4.41 |
| **VA staff** | 12.1% | 5.00 |
| **Total/Overall** | **100.0%** | **4.41** |

*Source: Q78, 80, 81, and 84 in Survey of Veteran and Spouse Pensioners and Study Team Analysis*

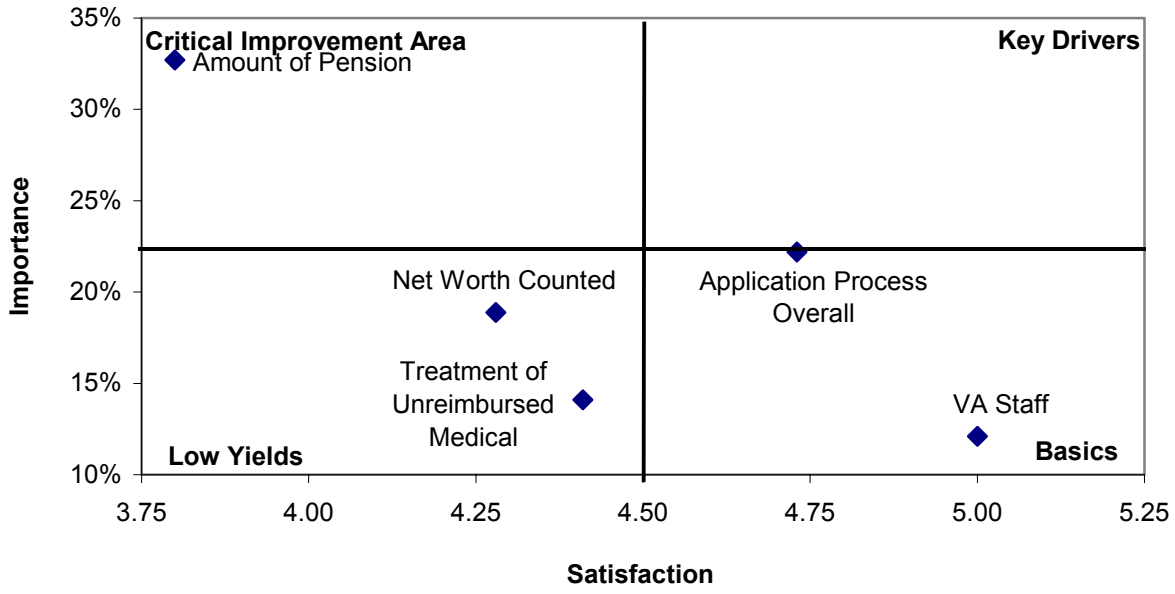
**Exhibit 9.9. Importance of Program Attributes for Surviving Spouse Pensioners**

| Satisfaction | Importance | Mean Satisfaction |
|---|---|---|
| **Amount of benefit** | 29.0% | 4.03 |
| **Counting net worth** | 25.3% | 4.48 |
| **VA staff** | 24.2% | 5.11 |
| **Application process overall** | 21.5% | 4.89 |
| **Total/Overall** | **100.0%** | **4.55** |

*Source: Q78, 80, 81, and 84 in Survey of Veteran and Spouse Pensioners and Study Team Analysis*

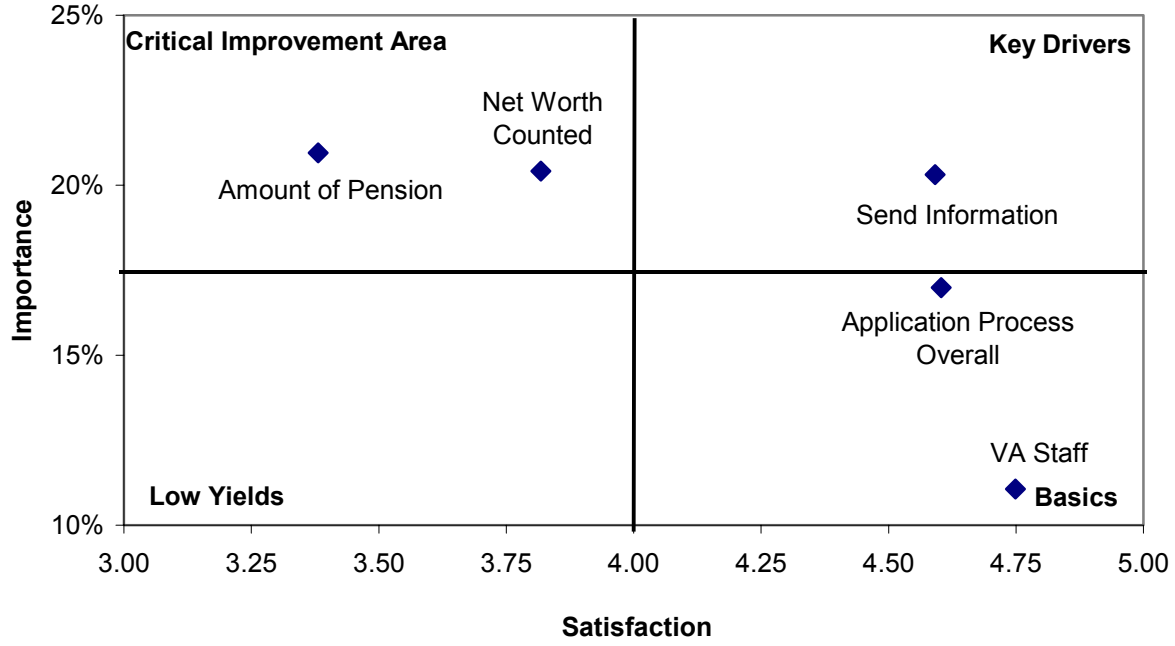
There are differences between the veterans with children and the general veterans sample. Veterans with children and the general sample both rate the amount of pension as a critical improvement area. The general sample rates net worth counted as a low yield, meaning that although the satisfaction level is low, it is not that important to them and does not have a large impact on increasing overall satisfaction. Veterans with children, however, rate net worth counted as a critical improvement area. Veterans with children indicate that the process of sending in information is a key driver. Satisfaction with VA staff and the application process overall are rated as basic.

**Exhibit 9.10. Rankings of Importance and Satisfaction for Veteran Pension Beneficiaries**



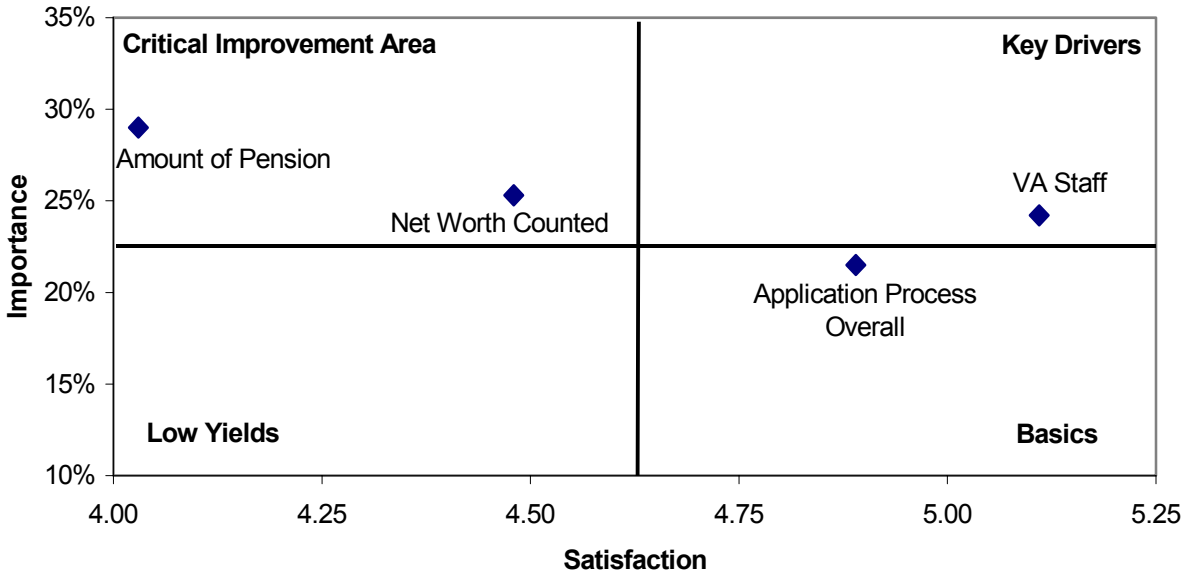

*Source: Survey of Veteran Pensioners and Study Team Analysis*

**Exhibit 9.11. Rankings of Importance and Satisfaction for Veteran Pension Beneficiaries with Children**



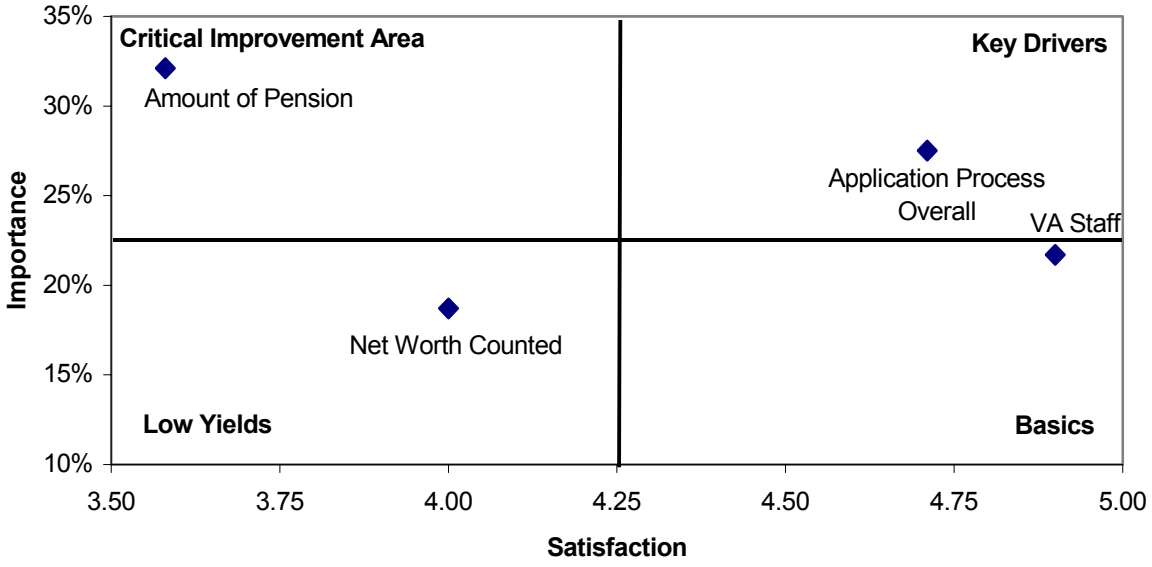

*Source: Survey of Veteran Pensioners and Study Team Analysis*

**Exhibit 9.12. Rankings of Importance and Satisfaction for Surviving Spouse Pensioners**




*Source: Survey of Spouse Pensioners and Study Team Analysis*

**Exhibit 9.13. Rankings of Importance and Satisfaction for Surviving Spouse Pensioners with Children**




*Source: Survey of Spouse Pensioners and Study Team Analysis*

We compared the two subsets of the spouse sample, those with children present in the household and those who recently (within the past 2 years) began receiving the benefit, with the general spouse sample. There are no differences in the rankings of importance and satisfaction between the recent spouse sample and the general spouse sample. However, there are differences between the spouses with

children and the general spouse sample. Both the general sample and the sample with children rate the amount of pension as a critical improvement area. Spouses with children rate net worth counted as a low yield, meaning that although the satisfaction level is low, it is not that important to them and it does not have a large impact on increasing overall satisfaction. Satisfaction with VA staff is rated as basic and the application process overall is rated as a key driver.

# D. SUMMARY

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

Overall satisfaction for the VA Pension program is between somewhat satisfied and satisfied, 4.4 on a scale of 1 to 6, for veterans and spouses. The VA staff has the highest satisfaction score (5). Other high-scoring program features are the application process overall (4.7 to 4.8) and sending information (4.6 to 4.7). Treatment of unreimbursed medical expenses, net worth, counting spouse's income for veterans, and counting the income of children scored lower but are still in the somewhat-satisfied range. The lowest satisfaction ratings are between somewhat dissatisfied and somewhat satisfied for the overall service experience, counting the proceeds of the sale of a home (as part of net worth), and amount of benefits received.

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

# CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS

The purpose of the evaluation of the VA Pension program is to determine whether the program meets its legislative intent, the program outcomes, and the expectations of stakeholders efficiently and effectively. This chapter presents the conclusions made on the basis of the study findings presented in previous chapters and makes recommendations for the Department of Veterans Affairs (VA) and Congress to consider in improving program outcomes.

Based on our analysis of the legislation, the VA Pension program for veterans and surviving spouses is designed to provide needy veterans and spouses with an income—instead of welfare—that covers basic living expenses. Further, the program should not be a disincentive to work.

While these are the intents of VA's Pension program, the program benefit levels determine whether the pension benefit actually covers living expenses and whether pensioners need to turn to welfare to cover living expenses. Veterans' pension is funded to provide veterans with an income that places them above the poverty line. Consequently, most veterans' income from pension exceeds eligibility cutoffs for welfare cash assistance (TANF and SSI) and few veterans (2%) receive cash assistance. Spouses, in contrast, receive a pension that places them well below the poverty line, and about one-fourth of the spouses rely on welfare cash assistance (TANF and SSI) to help cover their living expenses.

Maximum pension benefit levels, effective December 2002, place single veterans at 108 percent of the poverty line and spouses at 73 percent of the poverty line.[1] Analysis of survey responses and administrative data reveal that only 17 percent of surviving spouse and 85 percent of veteran pensioners meet or exceed the poverty line. Overall, veterans fare better, but their income is still close to the poverty line. However, both veterans and spouses report unmet needs and cut back on necessities to cover living expenses.

Congress did not intend for the VA Pension program to serve as a disincentive for veterans and spouses to work. Most of the VA Pension population is elderly and unable to work. All veterans are over age 65 or totally disabled, and most spouses under age 65 are not looking for work due to disabilities and health problems. The deceased veteran previously supported these spouses, and their VA pension benefit provides income that would be expected to come from the deceased veteran if he or she were alive. The study findings indicate that the program is working as intended and is not providing veterans and spouses with an incentive not to work.

The outcomes established by VA for this program include access, income, basic security, and dignity. Our analysis reveals that the access goal is not being met because too few eligibles are being served. We estimate that 27 percent of veterans and 14 percent of the eligible spouses population participate in the VA Pension program. We have conflicting information from participants and nonparticipants about access. Participants report that it is easy to find out and apply for the program, while nonparticipants have no knowledge of the program's existence and find the application process daunting.

The income outcome that Congress established for this program is to assure a level of income above the minimum subsistence level, allowing veterans and their survivors to live in dignity and not have to resort to welfare assistance. Study findings show that the VA Pension program, while a substantial source of income, is not the only source of income for VA pensioners. Most pensioners receive Social

[1] The Federal Department of Health and Human Services poverty guideline for a single individual in the continental United States was $8,860 in 2002. Each additional household member increases that amount by $3,080.

Security benefits. Even with Social Security benefits, pensioners cut back on basic living expenses—food, utilities, health care, and clothing—to make ends meet. This finding suggests that the pension benefit is not providing sufficient income to meet basic living expenses. When asked what living expenses they would pay for if they had some extra money, respondents most often say food. Younger pensioners and pensioners with children express a greater need for basic necessities, such as food, clothing, and housing. For instance, three times as many spouses with children skipped a rent or mortgage payment in the last 12 months (18%) versus all spouses (6%) (Appendix E, Table 75c). Many veterans (23%) and spouses (48%) receive some type of assistance (cash or non-cash) from welfare programs. Consequently, the VA Pension program does not meet the goal of preventing survivors from resorting to welfare.

While Congress indicated that the program should provide "a level of income above the minimum subsistence level," it did not determine what that basic level of maintenance would be. Congress also established the income eligibility guidelines for the program to exceed the poverty line for veterans and to be below the poverty line for spouses. There is a significant inconsistency between the intent of Congress to provide a basic level of maintenance, the income eligibility cutoff, and the actual income of veteran and spouse pensioners. It is noteworthy that some Federal assistance programs do NOT use the poverty guidelines to determine eligibility. Temporary Assistance to Needy Families, the major Federal welfare program, and the Department of Housing and Urban Development's HUD housing assistance do not use the poverty guidelines. HUD provides housing assistance on the basis of median income in the local area. Other programs that use the poverty guideline, such as the Food Stamp Program and the School Lunch Program, provide benefits to those who are 125 percent to 185 percent above the poverty line.

The VA Pension program provides some financial security to participants because it is a stable source of income. More than 90 percent of pensioners receive the benefit continuously and do not intermittently go on and off the program. However, pensioners do not consider their financial situation very secure. They rate the program as providing moderate to little security. About half of the veterans and spouses run out of money at least once a year. The problem is more acute for veterans and spouses with children—three-fourths of veterans run out of money and more than two-thirds of spouses run out of money. Thus, while the pensioners have security in knowing the next monthly check will come, the benefit amount was insufficient to cover living expenses for about half of them in the past year. One veteran told us that when he runs out of money, he eats frozen fried potatoes for the rest of the month; a spouse told us that she eats cream of wheat until the next check comes in. Through anecdotal comments from veterans and spouses during the telephone surveys, it is apparent that pensioners are very grateful to receive this benefit. However, they also struggle to make ends meet.

Our recommendations are predicated on the study team's interpretation of the congressional intent, which is that the program should provide a level of income that places VA Pension program participants above the poverty line when counting nonwelfare income sources, and that they should not have to resort to welfare. The following recommendations are suggested to improve the VA Pension program.

**Recommendation 1:** Given that the intent of the VA Pension program is to provide veterans and spouses with an income so that they do not have to rely on welfare, Congress should consider raising benefit amounts to be consistent with the benefit provided by USDA's food assistance programs. This seems particularly appropriate because food is the greatest unmet need of pensioners—two-thirds of pensioners use food-related strategies to make ends meet and one-third say they would buy food if they receive extra money. USDA provides varying levels of food assistance to individuals who are at 125 percent to 185 percent of the poverty guideline. The VA pension eligibility cutoff for veterans and

spouses places them at different percentages of the poverty line. Exhibits 10.1 and 10.2 present the eligibility cutoff (i.e., maximum pension amount) for veterans and spouses, respectively, as well as the percentages of the poverty line the cutoff implies for each status of recipient. For example, the eligibility cutoff for veterans who have no dependents, are not housebound, and are not in need of aid and attendance places them at 108 percent of the poverty line; the eligibility cutoff for spouses who have no dependents, are not housebound, and are not in need of aid and attendance places them at 73 percent of the poverty line.[2]

Exhibits 10.1 and 10.2 also report the eligibility cutoffs that would be needed to place veterans and spouses to at least 125 percent, 150 percent, and 185 percent of the poverty line.[3] For example, to place veterans who have no dependents, are not housebound, and are not in need of aid and attendance to at least 125 percent, 150 percent, and 185 percent of the poverty line would require eligibility cutoffs of $11,075, $13,290, and $16,391, respectively.

The study team simulated[4] the effects on benefit costs of changing the eligibility cutoff to at least 125 percent, 150 percent, and 185 percent of the poverty line for veterans and spouses. These simulations are based on current veteran and spouse participation. If VA increases participation, costs will increase correspondingly for benefits. Likewise, serving more participants would require additional administrative funds. Exhibit 10.3 shows the additional program costs for changes in the eligibility cutoffs to at least 125 percent, 150 percent, and 185 percent of the poverty line. For example, for veterans, changing the eligibility cutoffs to at least 125 percent, 150 percent, and 185 percent of the poverty line will increase program costs by approximately $460 million, $1.24 billion, and $2.48 billion, respectively. The program costs are calculated for each of the simulated eligibility cutoffs, using the veterans and spouses survey data, in the following steps:

- First, the award amount based on the eligibility cutoff is calculated as the cutoff minus countable family income (CFI) (e.g., this is $11,075—CFI for the 125 percent of the poverty line eligibility cutoff for veterans with no dependents). This defines the simulated award amount.
- Second, if the veteran's or spouse's current award amount is less than the simulated award amount, the current award amount is set equal to the simulated award amount; if the veteran's or spouse's current award amount is greater than or equal to the simulated award amount, the current award amount is left as is.
- Third, the total value of benefits is then computed by summing up the award amounts for all recipients.
- Fourth, because the survey respondents are a sample of the total population of award recipients, this number must be adjusted upwards. This is done by multiplying the total value of awards for the survey respondents by the ratio of total program participants to the number of survey respondents.

[2] The study results show that 15 percent of the veterans receiving a pension benefit are at or below the poverty line, even though the current eligibility cutoffs are above the poverty line. Some veteran respondents support more household members than are claimed as dependents. In addition, the VA income for some respondents may be adjusted for overpayment in previous years.
[3] This is calculated using the poverty guidelines for the 48 states in the U.S. mainland. For example, the eligibility cutoff for 125 percent of the poverty line is (1.25) * (8,860 + [family size – 1] * 3,080).
[4] These simulations are done by assigning recipients the greater of their current VA benefit amount or the VA benefit amount based on the percentage of the poverty line. The total VA benefits calculated from the survey are then multiplied by the ratio of program participants to survey respondents.

**Exhibit 10.1. Relationship Between Eligibility Cutoffs and the Poverty Line for Veterans, as of December 1, 2001**

| Status | Veterans | | | | |
|---|---|---|---|---|---|
| | CFI[1] Limit/Maximum Benefit Amount | % of Poverty Line | At least 125% of Poverty Line | At Least 150% of Poverty Line | At Least 185% of Poverty Line |
| **Individual—no dependents** | $9,556 | 108% | $11,075 | $13,290 | $16,391 |
| **Individual plus spouse or one dependent** | $12,516 | 105% | $14,925 | $17,910 | $22,089 |
| **Housebound—no dependents** | $11,679 | 132% | Current rate is above 125% of poverty line | $13,290 | $16,391 |
| **Housebound—one dependent** | $14,639 | 123% | $14,925 | $17,910 | $22,089 |
| **Aid and Attendance—no dependents** | $15,945 | 134% | Current rate is above 125% of poverty line | Current rate is above 150% of poverty line | $16,391 |
| **Aid and Attendance—one dependent** | $18,902 | 158% | Current rate is above 125% of poverty line | Current rate is above 150% of poverty line | $22,089 |

**Exhibit 10.2. Relationship Between Eligibility Cutoffs and the Poverty Line for Spouses, as of December 1, 2001**

| Status | Spouses | | | | | |
|---|---|---|---|---|---|---|
| | CFI[1] Limit/Maximum Benefit Amount | % of Poverty Line | At Least 100% of Poverty Line | At Least 125% of Poverty Line | 150% of Poverty Line | 185% of Poverty Line |
| **Individual—no dependents** | $6,497 | 73% | $8,860 | $11,075 | $13,290 | $16,391 |
| **Individual plus spouse or one dependent** | $8,507 | 71% | $11,940 | $14,925 | $17,910 | $22,089 |
| **Housebound—no dependents** | $7,942 | 90% | $8,860 | $11,075 | $13,290 | $16,391 |
| **Housebound—one dependent** | $9,948 | 83% | $11,940 | $14,925 | $17,910 | $22,089 |
| **Aid and Attendance—no dependents** | $10,387 | 117% | Current rate is above 100% of poverty line | $11,075 | $13,290 | $16,391 |
| **Aid and Attendance—one dependent** | $12,393 | 104% | Current rate is above 100% of poverty line | $14,925 | $17,910 | $22,089 |

**Exhibit 10.3. Estimated Annual Benefit Payments for Eligibility Cutoffs of 100%, 125%, 150%, and 185% of the Poverty Line**

| Study Group | Program Costs | | | | |
|---|---|---|---|---|---|
| | 2002 | 100% of Poverty Line | 125% of Poverty Line | 150% of Poverty Line | 185% of Poverty Line |
| **Veterans** | $2.14 billion | N/A | $2.60 billion | $3.38 billion | $4.62 billion |
| **Spouses** | $575 million | $983 million | $1.44 billion | $1.84 billion | $2.42 billion |

**Recommendation 2:** VA should improve access to the program so that veterans and spouses who are entitled to pension benefits receive them.

The rate of participation in the VA Pension program is so low that the program cannot meet its legislative intent. There are three barriers to participation in this program.

- First, veterans and spouses are not aware of the program.
- Second, even if they become aware of the program, their age, physical condition, educational level, health status, and general isolation make it difficult for them to pursue the application process and ongoing eligibility requirements.
- Third, low-income, elderly individuals tend not to be proactive self-advocates. Rather, they are willing to "make do" and not seek additional assistance from the Government.

Given these barriers, the following suggestions for increasing participation are offered for consideration.

*Application Improvements*

Despite the nature of the eligible population, it is still VA's responsibility to increase awareness of the program and to assist applicants in the completion process. We recommend that VA clarify and simplify the application for pension and that VA's national and regional offices improve outreach procedures. The following specific actions are suggested for VA consideration for improving the application process:

- Include information on who is likely to be eligible on the basis of income, assets, and unreimbursed medical expenses (UMEs) so that individuals can determine if it is worth their while to apply.
- Include information on whether eligibility for other programs would be affected by VA pension eligibility and whether an individual would be better off not applying for the VA Pension Program.
- Provide detailed information on VA's duty to help applicants obtain proof of wartime military service if the applicant does not have it, and how long it will take.
- Include all income on the application that is later verified on the Eligibility Verification Report (EVR). Make it clear to applicants so that they understand what has to be reported.
- Include all deductions, including medical expenses, on the application so that applicants are informed of how to report this information and what documentation is necessary to prepare the application, submit the application, and verify the application, if challenged.

- Accept monthly reporting of medical expenses instead of yearly reporting. This may require an increase in VA employees administering the Pension program. Considering that the administrative cost of VA's programs as a percentage of total program costs are lower than other assistance programs such as food stamps, SSI, TANF (Appendix F), an increase in staffing seems justified.

We suggest that VA conduct focus groups and cognitive interviews with nonparticipants to establish an empirical basis for these improvements. This is essential to assure that the application is readily understood by potential eligibles. This task is challenging because all legislative and regulatory requirements must be included, but at the same time, the application has to be presented in simple language and in an easy-to-understand format. After making improvements, VA should consider pilot-testing the improvements to ensure that they are effective. We estimate that such a project would cost $150,000 to $300,000 if VA contracted for it. Otherwise, it could be accomplished by in-house staff as part of VA's administrative budget for the program. The latter approach would require a reallocation of existing resources, thereby reducing other efforts current resources are engaged in.

*Awareness and Outreach*

Our suggestion for improving awareness is for VA to communicate about this program more broadly through two means—the media, through public service announcements (PSAs), and direct communication with those who may be eligible. Focus group participants told us they never had any direct contact from VA about the VA Pension program and that they never saw any PSA about its existence. They identified specific types of media that would reach them, such as military-themed movies, national sports events, and television newsmagazine shows. While this information is useful, television viewership is available by population segment. VA should consider using market segment analysis to identify the most beneficial media outlets in which to release PSAs. Announcements should target low-income, elderly individuals, as well as those who care for them and manage their affairs.

Focus group participants in this study emphasize that announcements about the VA Pension program would have to be transmitted in a way that confirms their legitimacy—either directly from VA or through another Federal program that they pay attention to, such as the Social Security Administration (SSA) or the Internal Revenue Service (IRS). Focus group participants stress the necessity of Federal letterhead, logos and/or insignia to convey legitimacy. We recommend that VA develop a better outreach program. Some suggestions for VA include "piggybacking" VA Pension information with correspondence already being sent through other Federal agencies. VA may review its community-based outreach programs, improve how information about its pension program is conveyed, and determine whether the outreach appropriately targets elderly, low-income individuals or their caregivers. VA may want its regional offices to coordinate with local aging programs and local agencies that assist low-income elderly people to disseminate information about the program.

Another possibility for VA to consider is coordination with other Federal agencies that are responsible to serve the low-income elderly, such as the U.S. Department of Health and Human Services (HHS), the U.S. Department of Agriculture, and HUD. Given the findings of this study, Congress should consider establishing an interagency task force on meeting the needs of the low-income elderly, whose charter would be to leverage all of the Federal government's resources effectively to better assist the low-income elderly population, including veteran and spouse pensioners. One outcome of such a task force, for instance, might be that those eligible for a VA pension receive all their assistance from VA instead of

relying on a patchwork of multiple programs to streamline benefits and reduce the burden on applicants. Another outcome might be a coordinative role across agencies so that eligibles have concurrent eligibility for more programs, rather than having to apply for benefits separately under each program.

The cost of implementing these recommendations includes a reallocation of VA's existing funds plus additional funds to implement the procedures. If the outreach is effective, Congress will have to increase VA's administrative funding so that VA can increase its staff to respond to inquiries, process applications, and maintain benefits for additional eligible participants. Congress will also have to appropriate additional funds to cover the cost of the benefits paid to those currently not receiving them.

It is not possible to estimate the cost for outreach efforts more precisely because we do not know how effective the proposed recommendations will be. Therefore, we suggest that VA pilot-test the procedures in a few localities to determine whether they are cost-effective before proceeding on a larger scale. Such pilot tests would reveal which procedures work best and how many eligible participants will actually enter the program, providing another basis for estimating VA's workload and the cost of additional benefit payments.

We estimated the average benefit that would be paid if the Pension program reached more veterans and surviving families in FY2005. The method for determining the unserved population is described in Chapter 3. The average benefit for the unserved population was developed by comparing the income limits to the amount of income for veterans and surviving families that composed the unserved population. Exhibit 10.4 shows the estimated served and unserved populations in FY2005. Average estimated benefits for the unserved are larger than benefits received by the served. The served and unserved populations differ in the proportion of younger spouses with children and the number of older pensioners receiving housebound or aid and attendance benefits.

**Exhibit 10.4. Projected Served and Unserved Eligible Pension Population, FY2005[5]**

| Description | Veterans | Surviving Families |
|---|---|---|
| **Served Population FY2005** | | |
| Number Served | 331,000 | 166,000 |
| Average Benefit | $7,800 | $4,800 |
| **Unserved Population FY2005** | | |
| Number Unserved | 853,000 | 1,140,000 |
| Average Benefit | $14,000 | $9,100 |

Exhibit 10.5 shows the projected cost of providing benefits to the served plus a proportion of the unserved population assuming that the average benefit for the unserved electing benefits is the same as for the total unserved population. For example, the total benefits paid to the currently served plus 25 percent of the unserved population would be $5.6 billion.

[5] Rounded to nearest thousand and billion

**Exhibit 10.5. Projected Cost of Increased Participation by Unserved Eligible Pension Population, FY2005[6]**

| Description | Veterans | Surviving Families |
|---|---|---|
| **Total if Population Trends Remain the Same in FY2005** | | |
| Total Participation | 331,000 | 166,000 |
| Total Cost of Pension Benefits | $2.6 Billion | $0.8 Billion |
| **Total if 25% of Unserved Population Also Receive Benefits in FY2005** | | |
| Number of Pensioners | 540,000 | 450,000 |
| Total Cost of Pension Benefits with 25% Unserved | $5.6 Billion | $3.4 Billion |
| **Total if 50% of Unserved Population Also Receive Benefits in FY2005** | | |
| Number of Pensioners | 760,000 | 740,000 |
| Total Cost of Pension Benefits with 50% Unserved | $8.6 Billion | $6.0 Billion |

Exhibit 10.6 shows the combined effect of both increasing participation and relaxing eligibility criteria (increasing the eligibility cutoff to increase income), assuming that the increase in the total benefits for 2002 in 2005 as shown in Exhibit 10.5 would be the same as the increase in the estimated annual benefits as shown in Exhibit 10.3. For example, the estimated total cost of benefits if 25 percent of the unserved veteran population receives benefits and the payments are based on 125 percent of poverty rather than 100 percent of poverty is $5.6 billion times the ratio of 1) $2.60 billion to 2) $2.14 billion for a total of $6.8 billion. Note that neither Exhibit 10.3 nor Exhibit 10.6 includes an estimate of the increase in the number of participants that would result from increasing the eligibility cutoff; nor does either exhibit include the increased administrative cost that VA would incur to serve additional pensioners.

[6] Rounded to nearest thousand and billion;

**Exhibit 10.6. Projected Cost of Both Increased Participation and Increased Income Eligibility in the Pension Program, FY2005[7]**

| Description | Veterans | Surviving Families |
|---|---|---|
| **Total Cost if 25% of Unserved Population Also Receive Benefits in FY 2005** | **$5.6 Billion** | **$3.4 Billion** |
| **Total Benefit Cost if 25% of Unserved Population Also Receive Benefits in FY2005 and Income Eligibility Cutoffs Are Increased to:** | | |
| 100% of Poverty | $5.6 Billion | $5.8 Billion |
| 125% of Poverty | $6.8 Billion | $8.5 Billion |
| 150% of Poverty | $8.8 Billion | $10.9 Billion |
| 185% of Poverty | $12.0 Billion | $14.3 Billion |
| **Total Cost if 50% of Unserved population Also Receive Benefits In FY 2005** | **$8.6 Billion** | **$6.0 Billion** |
| **Total Benefit Cost if 50% of Unserved Population Also Receive Benefits in FY2005 and Income Elibibility Cutoffs Are Increased to** | | |
| 100% of Poverty | $8.6 Billion | $10.2 Billion |
| 125% of Poverty | $10.4 Billion | $15.0 Billion |
| 150% of Poverty | $13.5 Billion | $19.1 Billion |
| 185% of Poverty | $18.5 Billion | $25.2 Billion |

**Recommendation 3:** VA should encourage pensioners to submit medical expenses throughout the year instead of its current policy of asking needy pensioners to accumulate unreimbursed medical expenses at the end of the year. The income level of participating pensioners is too low to expect them to carry the costs of medical expenses until the end of the year. The effect of this recommendation is that VA will have to spend more resources to process medical claims throughout the year instead of bundling them together at the end of the year. We cannot precisely estimate how much additional effort this will impose on VA because we can neither reliably predict how many individual claims will be made nor predict how many pensioners will submit additional claims. We would guess that, at a minimum, VA would quadruple its UME claims processing. Congress would have to increase VA's administrative funding to implement this recommendation, or VA would have to scale back on other activities it currently performs and allocate additional resources to UME claims processing.

[7] Rounded to nearest thousand and billion