

**OVERSIGHT HEARING ON THE ADMINIS-  
TRATION OF THE VETERANS BENEFITS  
ADMINISTRATION'S PENSION PROGRAM**

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**HEARING**

BEFORE THE

**COMMITTEE ON VETERANS' AFFAIRS**

**HOUSE OF REPRESENTATIVES**

**SUBCOMMITTEE ON DISABILITY ASSISTANCE  
AND MEMORIAL AFFAIRS**

**ONE HUNDRED NINTH CONGRESS**

SECOND SESSION

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SEPTEMBER 27, 2006

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**OVERSIGHT HEARING ON THE  
ADMINISTRATION OF THE VETERANS BENEFITS  
ADMINISTRATION'S PENSION PROGRAM**

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**Wednesday, September 27, 2006**

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND  
MEMORIAL AFFAIRS,  
COMMITTEE ON VETERANS' AFFAIRS,  
*Washington, D.C.*

The Subcommittee met, pursuant to call, at 10:30 a.m., in Room 334, Cannon House Office Building, Hon. Jeff Miller presiding.

Present: Representatives Miller and Udall. Staff Present: Paige McManus, Majority Counsel and Mary Ellen McCarthy, Minority Counsel.

MR. MILLER. Good morning, everybody. This Subcommittee meeting will come to order. Ms. Berkley is on her way over, but I wanted to go ahead and convene this final Subcommittee hearing for the 109th Congress, I think Ms. Berkley and the other members of our Subcommittee would agree that we have had an informative and what I feel a very productive two years. The majority of our oversight hearings in this Congress have intended to lay basically a groundwork or foundation for the Subcommittee members on each of the VBA programs that we have jurisdiction over, and today we are going to wrap up by looking at VA's pension program. In the next Congress the full Committee and our Subcommittee, Disability Assistance and Memorial Affairs, will delve deeper into the issues facing VBA and the Board of Veterans' Appeals.

VA's nonservice-connected disability pension program provides financial assistance to low income veterans who are totally or permanently disabled as a result of a disability not related to military service, or are age 65 or older. VBA also provides pension benefits to certain low income surviving spouses and unmarried children of deceased veterans with wartime service. There are approximately 530,000 pensioners, veterans and survivors who receive nearly \$3.5 billion in benefits annually.

[The statement of Chairman Miller appears on p. 10]

MR. MILLER. Today we have one panel. Testifying for the Veterans Benefits Administration is Mr. Jack McCoy. He is Associate Deputy Under Secretary for Policy and Program Management. He is accompanied today by Mr. Steve Simmons, Deputy Director of the Compensation and Pension Service. At Ms. Berkley's request we also have with us the managers of the three Pension Maintenance Centers. That would be Ms. Filipov from the Philadelphia Regional Office and Insurance Center, Mr. John Limpose from the Milwaukee Regional Office, and Mr. Woody Middleton from the St. Paul Regional Office. Mr. McCoy is the only witness who will be testifying before us today. The others are here to answer any questions that the Subcommittee members may have. We talked about whether or not we wanted to put the timer on you today, Mr. McCoy. We will not do that since you are the only person. That does not mean that we would want you to go for the next two hours, but we will give great latitude in your testimony.

We thank you all for being here. Until Ms. Berkley comes, I will let Mr. Udall do a statement if he wants to. Do you want to make a statement or wait for Ms. Berkley?

MR. UDALL. I would just put her statement in the record, because she may or may not be here, and go ahead and go forward with our panel.

MR. MILLER. All right, very good. Without objection her opening statement will be entered into the record. And with that, Mr. McCoy, you may begin.

[The statement of Hon. Shelley Berkley appears on p. 11]

**STATEMENT OF JACK MCCOY, ASSOCIATE DEPUTY UNDER SECRETARY FOR POLICY AND PROGRAM MANAGEMENT, VETERANS BENEFITS ADMINISTRATION; ACCOMPANIED BY STEVE SIMMONS, DEPUTY DIRECTOR, COMPENSATION AND PENSION SERVICE; LUCY FILIPOV, MANAGER, PENSION MAINTENANCE CENTER, PHILADELPHIA, PENNSYLVANIA REGIONAL OFFICE AND INSURANCE CENTER; JOHN LIMPOSE, MANAGER, PENSION MAINTENANCE CENTER, MILWAUKEE, WISCONSIN REGIONAL OFFICE; AND WOODY MIDDLETON, MANAGER, PENSION MAINTENANCE CENTER, ST. PAUL, MINNESOTA REGIONAL OFFICE.**

#### **STATEMENT OF JACK MCCOY.**

MR. MCCOY. Thank you. Mr. Chairman, and members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the VA pension program. The VA pension program provides

financial assistance to wartime veterans and surviving spouses and children of wartime veterans based on financial need. Pension recipients currently number over 530,000, including 330,000 veterans and 200,000 survivors. Annual benefit payments total approximately \$3.5 billion. The disability pension program assists wartime veterans with low incomes who are permanently and totally disabled due to causes not related to military service. Low income veterans aged 65 and older may be eligible for a service pension. The requirements and conditions for which are the same as the disability program, except there is no requirement that the veteran be permanently and totally disabled.

Both the disability pension program and the age 65 and older service pension require 90 days or more of active military service during a period of war or 90 days or more of continuous active military service beginning or ending during a period of war. The veteran's discharge must have been under conditions other than dishonorable.

In addition to needy veterans, VA also provides pensions to low income surviving spouses and unmarried children of deceased veterans with wartime service. To be eligible, spouses must not have remarried and children must be under age 18 or age 23 if attending school. Children who become incapable of self-support because of a disability before age 18 may be eligible for death pension as long as the condition exists unless the child marries or the child's income exceeds the applicable limit.

Under the VA pension programs, payments are made to bring beneficiaries total income, including all earnings as well as retirement as social security income, to a level set by Congress. The maximum annual pension currently payable to a veteran with no dependents and no other income is \$10,579. The maximum annual death pension payable to a surviving spouse with no dependents is currently \$7,094. Payments are reduced dollar for dollar by the amount of countable income of the veteran, spouse or dependent children.

The VA pension rolls have declined steadily from a high of almost two million beneficiaries in 1978 to current levels of just over 530,000. There are obvious contributing factors causing the reduction in the number of pension recipients. Foremost would be the increasing death rate among veterans of World War II and the earlier wartime periods, since most veterans who meet the income requirements for pension are eligible based on age and the low income limits of the programs. The sharp decline in the number of pension recipients has also raised concern in VA that our most needy veterans and survivors, among them the homeless and the destitute elderly, may not be aware of the pension programs or that they may qualify for monthly benefits. As a result of this concern, VBA has been expanding our outreach to elderly, low income veterans and surviving spouses.

In November of 2005 we issued a news article entitled, VA Reaches

Out to Veterans and Their Families from Every Generation that has been printed in 176 newspapers in 23 states with a readership of 10.5 million. VBA is also working closely with the Veterans Health Administration and the National Cemetery Administration to reach potentially eligible veterans and surviving spouses. Information about pension benefits is now included in the enrollment welcome letters sent by VHA to veterans eligible for healthcare under category five. Copies of VBA Pamphlet 21-00-1, A Summary of VA Benefits and Services, are distributed to VHA facilities for placements and locations where veterans often visit. Better communications have been established with the VHA Social Work Service to ensure social workers are aware of the pension programs, and can identify and assist veterans who may have entitlement. VA Pamphlet 21-03-1, VA Benefits for Survivors, is now distributed to all national cemeteries and training on our benefit programs is provided to cemetery directors.

There are also other venues through which VBA is seeking to expand outreach to the elderly veteran population. VBA distributes copies of VA Pamphlet 21-00-1 to over 1,000 Social Security Administration offices. VBA has also strengthened its working relationship with the Department of Health and Human Services Administration on the Aging, and we have become more actively involved with area agencies on the aging. To help spread the word about our pension program, we set up information booths at such events as AARP conferences and funeral director conventions.

In January of 2002, VBA activated three Pension Maintenance Centers, or PMCs, at the Philadelphia, Milwaukee and St. Paul Regional Offices to process all pension award adjustments and account maintenance activities. There were two particularly important considerations in the decision to consolidate. First, by moving pension maintenance activities out of other Regional Offices, the Regional Offices are able to focus their attention and resources on processing of new and reopened disability compensation claims and appeals. The second consideration was that by consolidating to three PMCs we could increase the efficiency and improve the quality and consistency of our pension processing activities.

National accuracy reviews of pension processing are conducted in accordance with VBA's Systematic Technical Accuracy Review system, STAR. STAR reviews show that the accuracy of claims processed by the PMCs has significantly increased in the past year, from 80 percent in fiscal year 2005 to 91 percent in fiscal year 2006.

VBA has implemented a number of changes to improve the quality and consistency of pension maintenance activities. In March of 2006 each Pension Maintenance Center designated a quality review coordinator responsible for quality improvement oversight. The individuals monitor all quality issues, such as training, mentoring, monthly quality reviews, and local and national STAR findings. Each quality

review coordinator also works closely with the other two PMCs quality review coordinators and keeps division management apprised of all efforts through regular conference calls and meetings.

We will continue our efforts to improve our training programs and tools and ensure the quality and consistency of pension benefit delivery.

Mr. Chairman, that concludes my testimony. We will be happy to respond to any questions that you or other members of the Committee might have.

[The statement of Mr. McCoy appears on p. 12]

MR. MILLER. Thank you very much, MR. MCCOY. You talked about your outreach programs and that they were successful. How do you quantify the success of your outreach or how do you measure it?

MR. MCCOY. I believe the biggest measurement is how much we actually do. How many people we can actually talk to and get out and meet, and each one of the Pension Maintenance Centers works closely with the Regional Offices that are under their jurisdiction. And, of course, people from those regional offices meet with County Veterans Service Officers, State Directors of Veterans Affairs, and groups like that.

MR. MILLER. Can you tell any measurable difference, though, in those who make application since you started the outreach? Or expanded the outreach?

MR. MCCOY. Steve?

MR. SIMMONS. I do not have that answer.

MR. MILLER. It would be interesting to know. Obviously you are doing a lot of work. You are touching a lot of veterans and beneficiaries. But it would be interesting to know if all of the effort is actually increasing the amount of applications for pensioners.

Now, I think the current backlog of claims is just under 17,000 and what I would like to know is, does this reflect the new pension claims only? Or does it include routine follow-up issues such eligibility verification reports? And also, would consolidating all original pension claims to the Pension Maintenance Centers improve processing times and consistency of decisions?

MR. SIMMONS. The backlog at the PMCs?

MR. MILLER. Yes.

MR. SIMMONS. It does not include the original claims at this time.

MR. MCCOY. As Steve said, we have not consolidated the original pension claims to the PMCs at this time.

MR. MILLER. Would it improve the processing times and consistency? You know, that is the question.

MR. MCCOY. Yes sir, I believe it will. I mean, from when we first started the consolidation of PMCs, I think in the last year, they have made tremendous strides. And I believe it would. Admiral Cooper



and I have discussed that, and when Admiral Cooper is comfortable that the PMCs are at that position then our plan would definitely be to finish the consolidation.

MR. MILLER. We have talked a lot about cyber security in this Committee. Obviously there was a lot of angst when the laptop computer was missing. There are some proposed changes in VA cyber security and the polices that affect VBA's ability to match the pensioner's income data with Social Security. Do you see any problems with being able to make those matches given some of the changes that are being made?

MR. MCCOY. No sir. One thing that we will make sure of is that, if there is any security issue, we will have it covered. And we have MOUs with everyone that we do any type of match with.

MR. MILLER. But what I am more concerned with is being able to get the data to talk back and forth to each other. You do not foresee a firewall problem?

MR. MCCOY. No sir.

MR. MILLER. Mr. Udall?

MR. UDALL. Thank you, Mr. Chairman. Mr. McCoy, according to the most recent evaluation of VA's pension program, Congressional intent of the program is not being met due to the low level of benefits. Congresswoman Berkley has introduced H.R. 5119 to begin to increase benefits for veterans. Does the Administration support increasing pension benefits so that our wartime veterans and their survivors can afford food, shelter and medical care?

MR. MCCOY. Sir, I cannot speak for the Agency in that regard, if the Agency actually supports it. We have had a number of conversations about it. I could not answer that at this time.

MR. UDALL. Many Native American communities have high levels of poverty and large percentages of wartime veterans. Has the VA done any special outreach to Native American communities concerning the pension program?

MR. MIDDLETON. Congressman Udall, I am Woody Middleton from the St. Paul Pension Center. We have a number of Native American states and, to answer your question, yes. We routinely visit the Dakotas in outreach to their Native American communities. I do not have information as to the number of Native Americans on the rolls.

MR. UDALL. We have over ten percent of our population as Native American in New Mexico. Are you aware of any figures or numbers there? And many of them live in very rural areas. The best means of communication is usually by radio, and then asking them to come into a Chapter House or something along that line. On the Navajo Reservation for sure, and the Pueblos sometimes you use different techniques. Are you aware of anything you have done in the southwest or in New Mexico?

MR. MIDDLETON. Mr. Udall, I am not aware of any means that we

are pursuing to reach these folks. We do acknowledge that there is an importance to reach all our veterans who need pension benefits. I am sure with the Compensation and Pension Service we will pursue avenues to reach the Native American veterans.

MR. UDALL. Thank you. Many elderly veterans and survivors are spending their life savings on medical care. How can the VA improve its outreach to veterans paying for nursing home care or those receiving care at home instead of nursing home care?

MR. SIMMONS. Congressman, all of our regional offices conduct outreach to homeless and to the elderly. We work with the AARP and a number of other organizations to reach the elderly and other low income groups. So our Albuquerque Regional Office would be conducting outreach in many different formats throughout the state of New Mexico.

MR. UDALL. Thank you. Mr. Chairman, yield back.

MR. MILLER. Let me ask another question about the consolidation of pension activities to the three offices. How much time do you think was freed up at the Regional Offices to focus on other types of claims? And how has the quality of eligibility verification reviews been impacted?

MR. SIMMONS. The quality of the work has increased dramatically over the past year, and I think that the consolidation is directly related to that. The consolidation has also freed up our regional offices. Rather than trying to train our Veterans Claims Representatives to handle both the income related issues and the disability compensation, and both areas are complicated, we have been able to specialize in the regional offices on the compensation. In the PMCs, focusing on the complex activities associated with the pension adjustments.

MR. MILLER. Mr. McCoy, you spent a couple days at the St. Paul PMC.

MR. MCCOY. Yes sir.

MR. MILLER. Talk to us a little bit about what you found there.

MR. MCCOY. I found an awful lot of employees very dedicated to being part of the PMCs. One of the questions that I had was, you know, in St. Paul they are still working compensation claims in the Veterans Service Center. So one of the questions was how often do we pull people from the Pension Maintenance Center to help in compensation. And I was assured that that does not happen, which made me feel really good because that was one of the things that we wanted to make sure did not happen. We wanted to know that the Pension Maintenance Center only did Pension Maintenance work. That is what they are trained to do and that is what I saw.

MR. MILLER. How many people are employed there?

MR. MCCOY. In St. Paul in the Pension Maintenance Center?

MR. MILLER. Yes.

MR. MIDDLETON. Mr. Chairman, we have 137 employees.

MR. MILLER. Mr. Udall, do you have another question?

MR. UDALL. Yes, I would like to direct a couple of questions to the Pension Service Center managers, Mr. Chairman. What functions are currently performed at VA Regional Offices and what functions are performed at the Pension Management Centers? And is there a liaison at the Regional Office for cases involving both offices?

MS. FILIPOV. I can answer that. Right now the home Regional Offices handle service connected disability claims and also determination on the original pension claims. In other words, the first award on whether to put someone on the pension rolls. The Pension Maintenance Centers handle maintenance actions once someone is receiving pension. And I believe the second part of your question was, I am sorry, can you repeat the second?

MR. UDALL. Is there a liaison at Regional Offices for cases involving both offices?

MS. FILIPOV. There are liaisons, people that we work with when we need information from each other and we normally communicate by email and telephone contact.

MR. UDALL. What do you believe is the biggest improvement in processing of pension claims by having Pension Management Centers?

MS. FILIPOV. I believe the increase in our quality coming from 80 percent in fiscal year 2005 and being closer to 91 percent now.

MR. UDALL. What is the most difficult aspect of your job?

MS. FILIPOV. The cyclical nature of the workload in the Pension Maintenance Center. We probably receive 65 percent of our workload in a very short time frame, from January through March, and we spend a lot of time working that inventory off.

MR. UDALL. Do any of the other pension managers have any comments on the questions I just asked?

MR. MIDDLETON. I would like to echo Ms. Filipov's remarks about the cyclical nature of the pension workload. We all experience tremendous backlogs at the beginning of the calendar year, January, February, March time frame. And it is an enormous workload, but collaborative efforts with C & P Service, training, and consistency in the procedures, we have managed that work.

MR. UDALL. Is there some way that you can address the cyclical nature of the demands that are occurring there?

MR. LIMPOSE. Yes sir. In late December of every calendar year, anybody that is on the VA rolls for pension will receive an Income Verification report and will also be sent an unreimbursed Medical Expenses form to file for retro payments. Each PMC will have approximately 80,000 to 100,000 of those types of requests go out, and then they come back to us, usually, as Lucy said, within the first three months of every calendar year.

MR. UDALL. Thank you very much. Yield back, Mr. Chairman.

MR. MILLER. Thank you very much. We appreciate it. It has been an informative hearing, although it may appear short to some. We know that the pension program, as illustrated by the testimony, provides low income veterans and survivors valuable financial resources on behalf of a very grateful nation. And I want to thank VBA for their testimony, and for working with us throughout the 109th Congress. You have all helped educate the Subcommittee on the many programs that VBA administers, and I look forward to working with you next Congress to address concerns and make improvements in these programs. Mr. Udall, it has certainly been a pleasure to work with you and Ms. Berkley and I look forward to our next Congress together.

Without objection, members will have five legislative days to submit materials for the record as well as post hearing questions to the witnesses. And with nothing further, this hearing is adjourned.

[Whereupon, at 10:55 a.m., the Subcommittee was adjourned.]

## APPENDIX

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Chairman Jeff Miller  
Opening Statement

Oversight hearing on the VA Pension Program

September 27, 2006

Good morning. The Subcommittee will come to order. This hearing marks the final scheduled hearing of the Subcommittee on Disability Assistance and Memorial Affairs for the 109<sup>th</sup> Congress.

I think Ms. Berkley and the other members of the Subcommittee would agree that we have had an informative and productive two years. The majority of the Subcommittee's oversight hearings this Congress have been intended to lay a foundation for the Subcommittee members on each of the VBA programs we have jurisdiction over; today we wrap up by looking at VA's pension program. Next Congress, the full Committee, and the Disability Assistance and Memorial Affairs Subcommittee, will delve deeper into the issues facing VBA and the Board.

VA's nonservice-connected disability pension program provides financial assistance to low-income veterans who are totally and permanently disabled as a result of a disability not related to military service, or are age 65 or older. VBA also provides pension benefits to certain low-income surviving spouses and unmarried children of deceased veterans with wartime service. There are approximately 530,000 pensioners who receive nearly \$3.5 billion in benefits.

Today we have one panel. Testifying for the Veterans Benefits Administration is Mr. Jack McCoy, Associate Deputy Under Secretary for Policy and Program Management.

He is accompanied by Mr. Steve Simmons, Deputy Director of the Compensation and Pension Service. At Ms. Berkley's request we also have with us the managers of the three Pension Maintenance Centers: Ms. Lucy Filipov from the Philadelphia Regional Office and Insurance Center; Mr. John Limpose from the Milwaukee Regional Office; and Mr. Woody Middleton from the St. Paul Regional Office.

Mr. McCoy is the only witness testifying today; the others are here to answer any questions the Subcommittee members may have.

Thank you all for being here. I now recognize the ranking member, Ms. Berkley.

Statement of Ranking Member Shelley Berkley  
Subcommittee on Disability Assistance and Memorial Affairs  
Oversight Hearing on the administration of the VA Pension Program  
September 27, 2006

Thank you, Mr. Chairman. With the rising cost of health care in this country and the increasing age of our World War II, Korean, and even Vietnam veterans, the VA pension program can provide valuable benefits to our veterans, yet many veterans are not aware they are eligible to receive pension benefits. Less than 2 percent of all wartime veterans receive pension benefits.

Earlier this year, the *Reno Gazette Journal* described the need for greater awareness of the pension program. Several touching stories demonstrated how veterans who were assisted in obtaining pension benefits through a program at the Washoe County Senior Center were able to improve the quality of their lives. I am pleased that VA is making additional efforts to inform veterans of the existence of these programs.

However, I am disappointed that VA's testimony makes no reference to the evaluation of the pension program completed in 2004. That evaluation found that the objectives of the pension programs were not being met because the level of income provided was not adequate to enable veterans to obtain basic necessities. I have introduced H.R. 5119 to increase the benefits provided to wartime veterans and their survivors. I hope that the witnesses will provide information concerning the Administration's views on the need to increase benefits paid to veterans.

I want to welcome the Veterans Service Center Managers from the Pension Maintenance Centers here today. While it is important to hear from our decision makers in central office, I think that we do not hear often enough from those who are serving our veterans on the front lines. Your perspective is important to us.

I look forward to hearing from the witnesses on how we can work together to make more wartime veterans and survivors aware of this important but underutilized program.

**STATEMENT OF  
JACK MCCOY, ASSOCIATE DEPUTY UNDER SECRETARY  
FOR POLICY AND PROGRAM MANAGEMENT  
DEPARTMENT OF VETERANS AFFAIRS  
BEFORE THE  
SUBCOMMITTEE ON DISABILITY ASSISTANCE AND MEMORIAL AFFAIRS  
HOUSE COMMITTEE ON VETERANS' AFFAIRS**

**SEPTEMBER 27, 2006**

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the VA Pension Programs. I am pleased to be accompanied by Mr. Steve Simmons, Deputy Director of the Compensation and Pension Service.

**Pension Program Requirements and Eligibility**

The VA pension programs provide financial assistance to wartime veterans and surviving spouses and children of wartime veterans based on financial need. Pension recipients currently number over 530,000, including 330,000 veterans and 200,000 survivors. Annual benefit payments total approximately \$3.5 billion.

The disability pension program assists wartime veterans with low income who are permanently and totally disabled due to causes not related to military service. Low-income veterans age 65 or older may be eligible for a service pension, the requirements and conditions for which are the same as the disability pension program except there is no requirement that the veteran be permanently and totally disabled.

Both the disability pension program and the age 65 and older service pension require 90 days or more of active military service during a period of war or 90 days or more of continuous active military service beginning or ending during a period of war. For veterans who entered active duty on or after Sept. 8, 1980, or officers who entered active duty on or after Oct. 16, 1981, the length-of-service requirement is 24 months of continuous active duty or the full period for which the person was called or ordered to active duty, whichever is shorter. Exceptions to the length-of-service requirement are authorized in certain circumstances, such as discharge due to service-connected disability. The veteran's discharge must have been under conditions other than dishonorable, and his or her disability must be for reasons other than one's own willful misconduct.

In addition to needy veterans, VA also provides pensions to low-income surviving spouses and unmarried children of deceased veterans with wartime service. To be eligible, spouses must not have remarried and children must be under age 18, or under age 23 if attending school. Children who become incapable of self-support because of a disability before age 18 may be eligible for death pension as long as the condition exists, unless the child marries or the child's income exceeds the applicable limit.

Under the VA pension programs, payments are made to bring the beneficiary's total income (including all earnings, as well as retirement and Social



Security income) to a level set by Congress. The maximum annual pension currently payable to a veteran with no dependents and no other income is \$10,579. The maximum annual death pension payable to a surviving spouse with no dependents is currently \$7,094. Payments are reduced dollar for dollar by the amount of countable income of the veteran, spouse or dependent children. Additional amounts are payable if the beneficiary has dependents; is in a nursing home or otherwise needs the aid and attendance of another person; or is permanently housebound. Medical expenses for which the beneficiary is not reimbursed by private insurance, Medicare, or Medicaid may be deducted from the beneficiary's countable income and thereby increase the amount of pension payable.

When a veteran without a spouse or a child is furnished nursing home or domiciliary care at VA expense, the pension is reduced to an amount not to exceed \$90 per month after three calendar months of care. The reduction may be delayed if nursing home care is being continued to provide the veteran with rehabilitation services.

The current pension programs, referred to as Improved Pension, were established by Public Law 95-588 and became effective January 1, 1979. Pension beneficiaries who were receiving VA pension on Dec. 31, 1978, and who did not wish to elect Improved Pension continue to receive the pension rate they were receiving on that date, subject to increases in the income limitations

commensurate with increases in the maximum pension rates under the Improved Pension program. VA currently has about 12,000 veterans and 49,000 survivors receiving benefits under prior pension programs.

### **Outreach**

The VA pension rolls have declined steadily from a high of almost two million beneficiaries in 1978 to current levels of just over 530,000. While VA has not evaluated the precise causes for the reduction of almost 75% in the number of pension recipients, there are obvious contributing factors. Foremost would be the increasing death rate among veterans of World War II and earlier wartime periods, since most veterans who meet the income requirements for pension are eligible based on age, and the low income limits of the programs. There is some evidence that the decline is leveling off. Since a large number of Vietnam Era veterans are now approaching age 65, it is conceivable that the number of pension recipients could increase.

The sharp decline in the number of pension recipients has also raised concern in VA that our most needy veterans and survivors, among them the homeless and the destitute elderly, might not be aware of the pension programs or that they may qualify for monthly benefits. As a result of this concern, VBA has been expanding our outreach to elderly, low-income veterans and surviving spouses.

In November 2005, we issued a news article entitled *VA Reaches Out to Veterans and Their Families from Every Generation* that has been printed in 176 newspapers in 23 states, with a readership of 10.5 million. VBA is also working closely with the Veterans Health Administration (VHA) and the National Cemetery Administration (NCA) to reach potentially eligible veterans and surviving spouses. Information about pension benefits is now included in the Enrollment Welcome Letters sent by VHA to veterans eligible for health care under Category 5. Copies of VBA Pamphlet 21-00-1, *A Summary of VA Benefits and Services*, are distributed to VHA facilities for placement in locations where veterans often visit, such as pharmacy waiting areas. Better communications have been established with the VHA Social Work Service to ensure social workers are aware of the pension programs and can identify and assist veterans who may have entitlement. VBA Pamphlet 21-03-1, *VA Benefits for Survivors*, is now distributed to all national cemeteries, and training on our benefit programs is provided to cemetery directors.

There are also other venues through which VBA is seeking to expand outreach to the elderly veteran population. VBA distributes copies of VA Pamphlet 21-00-1, *A Summary of VA Benefits and Services*, to over 1,300 Social Security Administration (SSA) offices. VBA has also strengthened its working relationship with the Department of Health and Human Services' Administration on the Aging, and we have become more actively involved locally with area agencies on the aging. To help spread the word about our pension programs, we set up information booths at such events as AARP conferences and funeral directors'

conventions. We will have an exhibit at the AARP annual conference next month, and a link to the VA web site has been added to the AARP web site.

### **Consolidation of Pension Maintenance Activities**

In January 2002, VBA activated three Pension Maintenance Centers or PMCs at the Philadelphia, Milwaukee, and St. Paul Regional Offices to process all pension award adjustments and account maintenance activities. Only original claims for pension benefits remain under the jurisdictions of the local regional offices.

There were two particularly important considerations in the decision to consolidate. First, by moving pension maintenance activities out of other regional offices, the regional offices are able to focus their attention and resources on processing of new and reopened disability compensation claims and appeals. This also reduced the job complexity and associated training requirements for the veterans service representatives.

The second consideration was that by consolidating to three PMCs, we could increase the efficiency and improve the quality and consistency of our pension processing activities. At the PMCs, we have claims processors who are specially trained in the complexities of the pension programs. Pension maintenance activities include the processing of supplemental claims such as cyclical income and cost-of-living adjustments; benefit adjustments based on

unanticipated changes in income, hospitalization, incarceration, etc.; and entitlement to special monthly pension based on housebound status or on the need for aid and attendance in the functions of daily living. PMC personnel also process Eligibility Verification Reports or EVRs, which are submitted annually by beneficiaries to certify continued entitlement to pension. This year, nearly 84,000 pension beneficiaries received EVRs.

The Income Verification Matching Programs are also administered by the PMCs. These programs match information on VA pension beneficiaries and their reported incomes with information provided by the Internal Revenue Service and the Social Security Administration to identify inconsistencies in reporting that could potentially affect eligibility or the amount of benefits payable.

### **Improved Accuracy and Training**

National accuracy reviews of pension processing are conducted in accordance with VBA's Systematic Technical Accuracy Review system (STAR). STAR reviews show that the accuracy of claims processed by the PMCs has significantly increased in the past year, from 80% in FY 2005 to 91% in FY 2006.

VBA has implemented a number of changes to improve the quality and consistency of pension maintenance activities. In March 2006 each PMC designated a quality review coordinator responsible for quality improvement oversight. These individuals monitor all quality issues, such as training,

mentoring, monthly quality reviews, and local and national STAR findings. Each quality review coordinator also works closely with the other two PMC quality review coordinators and keeps division management apprised of all efforts through regular conference calls and meetings.

Also in March 2006, the Compensation and Pension (C&P) Service developed national standardized training for new PMC employees. This national training curriculum is available on-line and includes basic claims development, basic claims processing, advanced claims processing, and income adjustments. A refresher training curriculum is currently under development and includes topics such as medical expenses and resultant income adjustments. Customer service training was provided for PMC public contact teams by the Philadelphia Insurance Center in April and May 2006.

PMC job aids have been developed and are available on the C&P Service Training web site. These job aids assist claims examiners in processing IVM programs and hospitalization, incarceration, and incompetency cases. The C&P Service is finalizing three other job aids related to Old Law Pension, apportionments, and dependency issues.

We will continue our efforts to improve our training programs and tools and ensure the quality and consistency of pension benefits delivery.

Mr. Chairman, this concludes my testimony. I greatly appreciate being here today and look forward to answering your questions.

**Questions for the Record**  
**Congressman Tom Udall**  
**House Committee on Veterans' Affairs**  
**Subcommittee on Disability Assistance and Memorial Affairs**

**September 27, 2006**

**Oversight Hearing on the Department of Veterans' Affairs  
Pension Program**

**Question 1:** Has the Veterans Benefits Administration considered any policies which could reduce the impact of the cyclical work of the Pension Maintenance Centers such as having some of the income verification matches performed on a semiannual basis?

**Response:** The Department of Veterans Affairs (VA) analyzes the various components of the pension maintenance process to distribute the workflow as consistently and predictably as possible over the course of the year. For example, VA is in the process of having the income verification match (IVM) work released to the Pension Maintenance Centers (PMCs) each June to reduce the possibility of having to process IVM work during the busy eligibility verification report (EVR) season. EVR processing must be concentrated at the beginning of the year, from January to May, to avoid unnecessary overpayments or underpayments to pension recipients.

**Question 2:** Please provide information (including the date by which staffing at the Hines Benefits Delivery Network will be increased) concerning the staffing needed to assure that income verification matches with the Internal Revenue Service (IRS) and beneficiary notifications can be accomplished in a timely manner in full compliance with IRS requirements.

**Response:** The Hines Information Technology Center (ITC) currently accomplishes the income verification matches (IVMs) with the Internal Revenue Service (IRS) in a timely manner, in full compliance with IRS requirements. No additional staffing is needed in this area. The IVMs represent only about 1 percent of the annual printing and mailing volume accomplished at the ITC.

**Question 3:** Many VA publications fail to identify service pension based on age separately from the disability pension program. Has VA taken any action to update consumer publications, such as the



*Federal Veterans Benefits for Veterans and Dependents* publication to clearly indicate that a pension based on age may be paid to wartime veterans?

**Response:** The *Federal Benefits for Veterans and Dependents* booklet section on Pension opens with the following statement:

Veterans with low incomes who are permanently and totally disabled, or are age 65 and older, may be eligible for monetary support if they have 90 days or more of active military service, at least one day of which was during a period of war.

The pension program provides the same benefits to low-income wartime veterans regardless of whether their eligibility is based on disability or age. Consequently, we do not believe it necessary to duplicate this information for each category of eligibility. Repeating the information in separate sections could be confusing to veterans by giving the impression that there are differences in the pension benefits for the disabled “and the elderly.

**Question 4:** Is VA aware of organizations that are charging veterans for preparing pension applications? Are these activities in compliance with current law governing representation of veterans?

**Response:** VA is aware that certain organizations charge veterans or their private care providers for preparing pension applications. In our view, these activities may unnecessarily delay the delivery of benefits and are generally not in compliance with current law governing representation of veterans. However, our ability to prevent these activities is limited by the scope of our authority to recognize organizations and accredit individuals for purposes of representation.

The activities described in the questions raise two issues: whether the representation is lawful and whether charging fees for the representation is lawful. Under chapter 59 of title 38, United States Code, VA has authority to recognize organizations and accredit individuals for the purpose of “preparing, presenting, and prosecuting” claims before the Department. Under this authority, as interpreted by VA in part 14 of title 38, Code of Federal Regulations,

VA considers all aspects of the preparation, presentation, and prosecution of claims as “representation” before the Department. Although representation includes claims preparation, those activities occur before the start of the VA adjudication process; consequently, VA’s accreditation program, under which VA grants or cancels accreditation and prevents individuals without the requisite accreditation from providing representation at a VA regional office or the Board of Veterans’ Appeals, cannot effectively address the issue of unauthorized claims preparation.

Regarding the matter of fees, the general rule is that accredited attorneys and agents may charge fees for representational services provided after the Board of Veterans’ Appeals makes a final decision in a case. *See* 38 U.S.C. §§ 5902, 5904, and 5905. VA’s regulations provide a narrow exception to the general rule whereby a “disinterested” third-party may pay an accredited attorney or agent for services provided before a final Board decision, and such representation may include the preparation of claims. Section 5905 is the only punitive statute in chapter 59 of title 38, United States Code. It provides that the direct or indirect solicitation, charging, or receipt of fees for representation by any person contrary to section 5904 is punishable as a misdemeanor. However, section 5905 does not criminalize the preparation of claims without VA recognition. Thus, some organizations that do not qualify for VA recognition and know that the prohibition against unauthorized claims preparation may be unenforceable under chapter 59, structure their business to receive payment for their services from claimants’ private care providers in an effort to avoid violation of section 5905.

The VA Office of the General Counsel (OGC) has been aggressive in advising representatives of unrecognized organizations that their preparation of claims violates Federal law. In cases where correspondence is not enough to convince the organization to discontinue its claims preparation business, OGC refers the matter to the VA Office of the Inspector General in the hope that that office may convince State or Federal prosecutors to take any action they deem appropriate.

In cases where accredited individuals unlawfully charge fees, OGC refers the matter for a formal inquiry by the VA Regional Counsel of jurisdiction under 38 C.F.R. § 14.633 to determine whether the

allegations justify further action, and if so, whether accreditation should be cancelled. Cancellation of accreditation is effective in preventing these individuals from presenting and prosecuting claims but it may not prevent them from establishing an unlawful claims preparation business.

**Question 5:** According to the most recent evaluation of VA's pension program, congressional intent of the programs is not being met due to the low level of benefits. Does the Administration support increasing pension benefits so that our wartime veterans and their survivors can afford food, shelter, and medical care?

**Response:** VA's improved pension is an income maintenance program designed to assure a level of income to wartime veterans and their survivors. To be eligible, a claimant may not have income countable for VA purposes that exceeds the yearly income limit (maximum annual pension rate). The maximum pension rate is higher for veterans than for survivors.

The claimant's countable income determines the amount of VA benefits paid. There is a dollar-for-dollar reduction from the maximum rate for all income received by a claimant (excluding other needs-based program payments such as Social Security income (SSI) or welfare). Medical expenses that exceed five percent of the maximum annual pension rate and for which the claimant is not reimbursed are deducted from the claimant's countable income.

VA is aware of concern about the program's ability to meet its objective of income maintenance. In December 2004 VA released a program outcomes assessment of the nonservice-connected disability and survivor pension programs. That study found that:

- Veterans receiving pension were better off than similarly situated low income elderly Americans.
- Survivors receiving pension were worse off than similarly situated low income female and elderly Americans.
- Many VA pension recipients struggle to pay for basic necessities.
- Most VA pensioners believe their VA benefit provides either moderate or little financial security.

Another study, the Hay Group Evaluation of Pension and Parents' Dependency and Indemnity Compensation (DIC) Programs, drew similar conclusions. The Hay Group's Final Report (December 2004) concluded that survivors receiving pension are worse off, on average, than similarly situated low-income female and elderly Americans. On the other hand, veterans receiving pension were found to be generally better off than their peers. According to the report, this situation exists because veterans are eligible to enroll in VA healthcare, whereas survivors are not. Consequently, very few veterans in receipt of pension are also receiving Medicaid or SSI benefits. A much larger number of survivors, more than 40 percent, receive SSI and Medicaid.

It is possible that raising the rate for survivors, especially those not entitled to Medicare, could jeopardize their continued eligibility for Medicaid. An increase in the death pension rate could potentially worsen some pension beneficiaries' overall financial position due to the loss of healthcare coverage.

Additionally, we believe that an appropriate distinction in the maximum amount of benefits payable to veterans under the disability pension program and the maximum amount payable to survivors under the death pension program should be maintained. Raising the maximum amount payable under the death pension program without a comparable increase in the disability pension program for veterans could significantly minimize this distinction.

It is also important to maintain the distinction in the amount of Dependency and Indemnity Compensation (DIC) payable to survivors of those who die in service or as a result of a service-connected disability and the amount of death pension payable to survivors of veterans who die of nonservice-related causes. A significant increase in the death pension income limit could result in some pension recipients receiving greater benefits than some DIC recipients.