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Using Aid and Attendance to Pay for a Nursing Home

The Easiest and Most Difficult Application

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

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

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

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

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

Annualization of Nursing Home Costs

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

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

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

A responsible official of the nursing home must sign a statement that the disabled claimant is a patient (as opposed to a resident) of the nursing home. We have included on this site a copy of a VA form that is used for this purpose. It is called " VA Form 21-0779 -- Request for Nursing Home Information in Connection with Claim for Aid and Attendance." A copy of the contract with the facility should also be included when submitting this form. Statements and evidence of payment must also be included. Canceled checks are not acceptable.

Veterans in State Veterans Homes may apply their out-of-pocket costs for use of the home as a recurring prospective, medical expense deduction. Again, a statement from an official of the state home indicating the veteran is a patient, not a resident, should be submitted.

In the case of a non-veteran spouse in a nursing home, where the veteran is still alive, the VA application 21-526 does not have a provision for disclosing the spouse receiving nursing home care. The spouse nursing home cost is, however, eligible for annualization of medical expenses. Separate evidence must be provided.

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

Retaining VA Benefits and Imputed Income

VA will not pay anything more than $90 a month if a single veteran or single surviving spouse is eligible for Medicaid covered nursing home care. State veterans homes are exempt from this ruling.

The most VA will pay to offset the cost of a nursing home is $2,054 a month for a couple, $1,732 a month for a single veteran or $1,113 a month for the single surviving spouse of a veteran. With nursing home costs ranging from $5,000-$7,000 a month, generally the VA benefit cannot cover the difference between the veteran household and the nursing home cost. In most cases there is a deficit. Medicaid will cover the actual difference between the Medicaid beneficiary's income and the cost of the nursing home. Medicaid is therefore a more viable benefit.

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

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

For the beneficiary who is eligible for Medicaid and has dependents at home, sharing the Pension with Medicaid may be more useful than allowing Medicaid to pay the entire bill. State Medicaid programs require veterans to apply for Pension because it reduces Medicaid's liability for the cost.

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

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

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

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

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

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

Because of the differential in cost between the nursing home and their income, John will qualify for the improved Pension benefit with an aid and attendance allowance but in the state in which they live, he will also qualify for Medicaid. VA will not pay more than $2,054 a month in Pension that could be applied to John's nursing home cost. On the other hand, Medicaid will pay the much higher cost between the nursing home and John's income in lieu of the VA Pension benefit. Should Mary worry about applying for the Pension benefit knowing that Medicaid may cover the entire cost of the nursing home and allow a guaranteed spousal income as well?

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

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

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

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

In addition to $600 a month, Mary has her own $33,000 and she also has access to $120,000 in the reverse mortgage which if left in the line of credit will not count against John qualifying for Medicaid.

Medicaid will also not impoverish Mary completely and in the state where Mary resides, Medicaid will give her back $1,600 a month from John's income to bring her income to $2,000 a month. This is called the "community spouse monthly income allowance". But this is only available after John has spent down his $33,000 and qualifies for Medicaid. Mary has to live on something else in the meantime.

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

Estimating the Pension Benefit with Aid and Attendance Allowance					
Total Family Income		**Calculate Countable Income**		**Calculate Pension Benefit**	
family income	$2,400	family income	$2,400	allowable benefit	$2,054
plus pension benefit	$2,054	less unreimbursed medical	$3,310	less countable income	$0
total income	$4,419	countable income	-$910	pension benefit	$2,054

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

John and Mary have an additional $2,054 a month to use for income or to apply to the nursing home while John is going through his spend down. Over the period of months where John is applying his spend down money, this is an additional $10,800 to $18,000 (depending on the spend down period) that they have that wouldn't be there without the VA benefit.

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

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

Pension -- Maximum Annual Pension Rates (MAPR) 2012

These amounts increased by 3% on 12 / 01 / 2011

	Yearly	Monthly
Without Spouse or Child	$12,255	$1,021
Medical Deduction	$613	$51
With One Dependent	$16,050	$1,337
Medical Deduction	$803	$67
Housebound Without Dependents	$14,997	$1,248
Medical Deduction	$613	$51
Housebound With One Dependent	$18,772	$1,564
Medical Deduction	$803	$67
Aid and Attendance Without Dependents	$20,446	$1,732
Medical Deduction	$613	$51
Aid and Attendance With One Dependent	$24,238	$2,054
Medical Deduction	$803	$67
Two Vets Married to Each Other	$16,051	$1,337
Add for Each Additional Child	$2,092	$174

Death Pension -- Maximum Annual Pension Rates (MAPR) 2012

	Yearly	Monthly
Without Dependent Child	$8,219	$684
Medical Deduction	$411	
With One Dependent Child	$10,758	$896
Medical Deduction	$538	
Housebound Without Dependents	$10,045	$837
Medical Deduction	$411	
Housebound With One Dependent	$12,581	$1,048
Medical Deduction	$538	
Aid and Attendance Without Dependents	$13,136	$1,113
Medical Deduction	$411	
Aid and Attendance With One Dependent	$16,148	$1,345
Medical Deduction	$538	
Add for Each Additional Child	$2,092	
MAPR FOR CHILD ALONE	$2,092	