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Hitting a Moving Target: Examining Means Based Testing for VA Benefits

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According to the latest statistics, there are currently 718,000 Wartime Veterans in Pennsylvania. This is an enormous number, bolstered even more when one considers that current spouses and surviving spouses of Wartime Veterans not included in these numbers. Many of these individuals are struggling to afford expensive medical care and turn to the Department of Veterans Affairs ("VA") for help. Unfortunately, this turn is often met with a denial from the VA on account of having too much money. The purpose of this article is to examine means-testing for VA benefits and clear up some common misconceptions.

Frequently, a potential client has walked into a consultation with me and said that she was under the impression that, **when a married couple applies for VA benefits, they are entitled to have $80,000.00 in resources while a single applicant is allowed to have $50,000.00**. Many people have applied for benefits based on these numbers prior to meeting with me and, almost every time, they have been denied due to being over-resourced. **These numbers are fictitious**. There is no static threshold level of resources an individual or married couple may maintain to qualify for VA Benefits. The amount of money an applicant is allowed to keep is a moving number, therefore achieving eligibility is significantly more complicated than most applicants would believe.

The VA takes into account four factors when determining resource eligibility:

1. Gross Income;
2. Unreimbursed Medical Expenses;
3. Life Expectancy; and
4. Assets (any bank accounts, investments, cash, etc.).

To determine the level of assets an individual or married couple may keep, the VA must first determine whether or not the applicant is experiencing an income shortfall due to medical expenses. This means that the applicant must prove that she is paying so much money each month for *medical expenses*, she is exceeding her income and dipping into her life savings to afford her medical care. For example, if an individual making $2,500.00 per month in income is living in an Assisted Living facility that costs $3,000.00 per month, that individual is experiencing a $500.00 medical expense shortfall each month.

Once the VA determines that the applicant is experiencing a medical expense shortfall, the next analysis applies that shortfall to the applicant's total resources over her remaining life expectancy (as a side note, the VA uses its own life expectancy chart, so do not rely on the Social Security actuarial charts for this analysis). In other words, the VA will only determine eligibility in instances where an applicant's monthly medical expense shortfall cannot be covered by her assets for the rest of her life. This creates a much muddier picture than simply $80,000.00 or $50,000.00 depending on marital status.

Let us perform a quick example to explain the VA's methodology. For simplicity purposes, let's say that we're working with a single applicant under the following circumstances.

- Applicant's Gross Income: $2,500.00
- Applicant's Total Medical Expenses: $3,000.00
- Applicant's Age: 82
- Applicant's Assets: $50,000.00

When applying the VA's means based testing, she has a seven year life-expectancy which means that she will be paying a total of $252,000.00 in medical expenses over her lifetime. When you subtract her lifetime income ($210,000.00), the applicant is left with $40,000.00 in medical expenses that would need to come out of her assets. This means that, even though the applicant has what is widely considered to be an allowable amount of resources, she may still be denied VA benefits.

The moral of this story is that VA means testing is a complicated concept and an applicant should consult a professional when approaching an application. This notion is missed by far too many applicants because they are being told that an applicant can maintain a threshold level of resources.