

Veterans Pension Program Is Being Abused, Report Says

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A yearlong investigation into a federal pension program for low-income veterans has concluded that weak oversight and unclear rules have made the system ripe for abuse, including by financial planners and lawyers who help well-off retirees qualify for benefits by transferring or hiding assets.

The report by the Government Accountability Office, to be released on Wednesday, found that more than 200 firms had sprouted up across the country to help veterans “restructure” assets so they can appear indigent and therefore eligible for tax-free pensions, which can pay more than \$20,000 a year.

While transferring assets to qualify for the pension is not illegal under current rules, Congressional officials and veterans groups say the practice undermines the purpose of the pension system — aiding poor veterans — and burdens federal spending at a time of deep budget cuts.

The G.A.O. also found that some firms overcharge veterans for services — in some cases more than \$10,000 — or sell them financial products that are potentially harmful, like trusts that limit a veteran’s access to the money or deferred annuities that generate income only after the veteran’s death.

The report placed partial blame for the problems on the Department of Veterans Affairs, saying it has unclear eligibility rules, does not systematically verify financial information and uses forms that do not require applicants to report asset transfers and other financial details.

The G.A.O. also said Congress should consider giving the department “look-back” authority to deny applicants who transfer or hide assets in the years just before applying for pensions. Other means-tested programs, like Medicaid, have such policies.

A bipartisan group of senators, including Ron Wyden, Democrat of Oregon, and Richard M. Burr, Republican of North Carolina, plans to introduce legislation giving the V.A. look-back authority. The Senate Special Committee on Aging was scheduled to discuss that bill and the G.A.O. report in a hearing on Wednesday.

“If things continue as they are, and people see this program as a magnet for rip-offs and waste, I believe that in this financial climate support for the program will fall apart,” Mr. Wyden said. “I want to preserve this for people who need it.”

The Department of Veterans Affairs said it concurred with the G.A.O.’s recommendations. A senior official said the department was also drafting new regulations that would clarify the types of asset transfers that might disqualify a pension applicant. Some transfers, such as for medical expenses, would remain acceptable under the new rules.

“By making it clear the impact of asset transfers, we would close this gap and reduce the incentive for people to engage in this kind of behavior,” said Michael Daugherty, assistant director of the V.A.’s Pension and Fiduciary Service.

To qualify for the pension, applicants must be over 65 or be permanently disabled, have served during wartime and fall below the income threshold: about \$12,200 for a person with no dependents. Last year, the system paid \$4.3 billion to 517,000 veterans or their survivors — up from about \$3.7 billion in 2007.

In addition to their pension checks, veterans who cannot cook, bathe or otherwise care for themselves can also receive stipends to pay for help, a benefit known as aid and attendance.

The G.A.O. and Congressional officials said firms that market services to veterans had been particularly aggressive about obtaining aid and attendance benefits, which can increase a pension by more than 50 percent.

The number of applicants approved for aid and attendance has grown sharply, to 38,000 in 2011, up from 22,500 in 2006. Though the G.A.O. and Congressional officials suggested that lax oversight had contributed to the high acceptance rate, V.A. officials said there were other factors at play, including a weak economy and a desire to get benefits quickly to frail veterans.

As part of their investigation, G.A.O. employees also posed as the children of an 86-year-old veteran who was seeking help qualifying for a pension. In calls to 19 firms, they were told time and again that they could qualify even with assets worth hundreds of thousands of dollars, provided they put their money in annuities or trusts, for which the firms charged administrative fees.

“V.A. allows you to qualify, regardless of what your assets are,” one company representative said, according to a G.A.O. transcript. “And I’ve had people with over a million dollars qualify for this benefit.”

Investigators working for the G.A.O. and the Special Committee on Aging found that financial planners and lawyers often worked through nursing homes or assisted living centers for the elderly to gain access to veterans. In those cases, the pensions presumably helped finance the cost of living in the homes.

Investigators also found numerous cases of firms charging high fees for helping veterans apply, even though organizations like the American Legion, as well as many states, offer the same assistance free. In one case, a veteran in Utah reported signing a contract that gave his first pension check to an agent who helped him apply. But because of delays in the system, that check was unusually large: \$16,000.

Investigators said some firms posed as veterans advocates when marketing services. And some of those services included selling products that turned out to be harmful to the veterans.

A Montana woman, for instance, reported that a lawyer advised her father, a World War II veteran, to sell his house so he could move into an assisted living development. The lawyer assured the woman that her father would qualify for aid and attendance benefits that would help pay the bill. But the V.A. rejected the application, leaving the veteran on the hook for the entire monthly rent for his new home.

“I do not know, fully, who is at fault,” the woman, Kris Schaffer, says in testimony submitted to the Senate committee. “I only know that, for my father, this is a terrible miscarriage of justice.”