



Department of Human Resources
311 West Saratoga Street
Baltimore MD 21201

FIA ACTION TRANSMITTAL

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**TO: DIRECTORS, LOCAL DEPARTMENTS OF SOCIAL SERVICES
DEPUTY/ASSISTANT DIRECTORS FOR FAMILY INVESTMENT
FAMILY INVESTMENT SUPERVISORS AND ELIGIBILITY STAFF**

FROM: CHARLES E. HENRY, EXECUTIVE DIRECTOR

RE: MEDICAL EXPENSE DEDUCTION

PROGRAM AFFECTED: FOOD STAMP PROGRAM

ORIGINATING OFFICE: OFFICE OF POLICY, RESEARCH AND SYSTEMS

SUMMARY

Recently we received clarification of medical expense deduction policy from the Food and Nutrition Service. According to this clarification there are times we can allow medical bills incurred in the prior certification period in calculating the household's monthly medical deduction.

We are also using this opportunity to remind staff about the policy for:

- Verifying medical expenses at recertification,
- Calculating medical expenses when there is a 24-month certification, and
- Calculating prescription expenses.

CURRENT AND NEW POLICY

New policy is in bold.

- At certification and recertification, the household must report and verify all medical expenses in order to receive the expenses as a deduction.
- The case manager bases the household's monthly medical deduction for the certification period on the following:
 - ◆ The information reported and verified by the household, and
 - ◆ Any anticipated changes in the household's medical expenses that the household can reasonably expect to occur during the certification period, and

- ◆ Available information about the customer's medical condition, public or private insurance coverage and current verified medical expenses.
- The household is not required to file reports about its medical expenses during the certification period. The household can voluntarily report medical expenses that come due during the certification period. If the household does report a change, the case manager will consider the new information in determining the monthly medical expense for the remainder of the certification period.

Medical expenses are an exception to the policy that allowable expenses can only be deducted when they are due. The household may report at recertification the medical expenses that occurred during its prior certification period. The case manager would use them for the new certification period.

Example 1:

The local department certified Mr. and Mrs. A for 12 months from June through May. Mrs. A became ill in September. She saw the doctor weekly in September and October. Ms. A was billed \$20 for each of her seven doctor's visits. The household's prescription costs also increased during her illness. The five extra prescriptions cost \$5.00 each. They paid the bills but did not report them until the June recertification interview. The case manager will allow the expenses for the new certification period as follows:

The expense for the additional visits to the doctor was \$140 ($\$20 \times 7 = \140). The additional prescriptions cost \$25 ($\$5.00 \times 5 = \25).

The household also has ongoing prescription costs that total \$20/month. Mr. and Ms. A each expect to go to the doctor 2 times during the new certification period. This is the same as before Ms. A's illness. The case manager anticipates that the expense for doctor visits is \$80 ($\$20 \times 2 \text{ visits} = \$40 \times 2 \text{ household members} = \80). The household also verified prescribed over the counter medical supplies that total \$45 per month.

Monthly recurring medical expenses:

Prescriptions - \$20

Doctor visits - \$6.67 ($\$80 \div 12 = \6.67) (Keep the cents)

Over the counter supplies - \$45

Total recurring - \$71.67

Additional expenses from the last certification period that were not used:

Doctor visits - \$140 in one month or \$11.67 per month

Prescriptions - \$25 in one month or \$2.08 per month

The customer chose to use the monthly amount for expenses from the last certification. (Add the amount from the last certification period (\$13.67) to \$71.67 to get \$85.42)

The household's total monthly medical expense for the new certification period is -

\$85.42 - \$35 = \$50.42. (drop the cents)

Note:

The policy about past due bills has not changed. If the household reports a past due medical expense from the last certification period, do not allow the expense unless the case manager can reasonably anticipate that the household will set a payment plan to pay it during the new certification period.

Example 2:

At recertification, Ms. C brings in a past due bill for the unreimbursed portion of a hospital bill that she received in the last certification period. She tells the case manager that she cannot afford to pay the bill. The case manager does not use the bill in determining the household's medical deduction for the new certification period. In the third month of the new certification period, Ms. C notifies the case manager that she has set up a payment plan with the hospital. She provides verification. The case manager allows the billed amount for the hospital expense.

Reminder for calculating prescription expenses:

- Households may choose to have:
 - ◆ Fluctuating expenses averaged
 - ◆ Expenses that are billed less often than monthly averaged forward over the interval between scheduled billings or over the period the expense is intended to cover.
 - ◆ One time expenses in the month due or averaged over the remainder of the certification period.

Example 3:

At recertification Mrs. F brings in a pharmacy printout for the past year to verify her prescription expenses. The case manager used the printout to determine the household's medical expense.

- Cytotec was dispensed each month and cost \$223.98
- Paxil was dispensed every 3 months and cost \$224.50
- Topicort Cream was dispensed every 4 months and cost \$65.90
- Seftin was dispensed once for an infection and cost \$75.25

The case manager calculated the monthly prescription expenses as follows:

Cytotec - \$223.98/month

Paxil - \$74.83/month ($\$224.50 \div 3 = \74.83)

Topicort - \$56.13/month ($\$224.50 \div 4 = \56.13)

The customer expects these to continue for the next certification period.

The Seftin was a one-time expense. Since the customer did not report it until the recertification, the case manager (at the household's request) divided the \$75.25 by the number of months of the certification period. The case manager added \$6.27

(\$75.25) 12) to the other prescription expenses. \$361.21 was the total cost for prescriptions. (Do not drop cents until they are totaled)

Calculating one-time medical expenses for households certified for 24 months:

- Households certified for 24 months that report a one-time medical expense in the first 12 months may choose to:
 - ◆ Deduct the expense for one month, or
 - ◆ average the expense over the remainder of the first 12 months of the certification period, or
 - ◆ Average the expense over the remaining months of the certification period.
- Households certified for 24 months that report one-time medical expense after the 12th month of the certification may choose to:
 - ◆ Deduct the expense in one month, or
 - ◆ Average the expense over the remaining months of the certification period.

Example 4:

Mr. G was assigned a 24-month certification period from June 2001 through May 2003. He was hospitalized in July 2001. In September, Mr. G brought in a hospital bill for \$1,000. This is the amount he owes after the insurance company paid its portion. Mr. G decided to have the expense averaged over the remainder of the first 12 months of the 24-month certification. The case manager divides \$1,000 by 8 (October through May) and uses \$125 as a medical deduction through May.

Payment Accuracy Note:

If a customer chooses this option, it is important to remove the deduction for the second 12 months of the certification period.

Mr. G could also have decided to have the bill divided by the remaining number of months in the certification period. In this situation the case manager would divide \$1,000 by 20 and use \$50 for each remaining month.

Reminders for verification at recertification:

- To receive the medical deduction the household must verify:
 - ◆ Medical expenses that were not previously reported, and
 - ◆ Total recurring medical expenses that have changed by more than \$25.

- Do not reverify recurring medical expenses claimed by the household in the previous certification period if the expenses are unchanged or have changed by \$25 or less unless the information no longer adequately reflects the current situation.

Example 5:

The case manager interviewed Mr. B for his recertification. He reports that he still pays Medicare and has the same 6 prescriptions for the same medications that he took during the last certification period. He also said his prescription co-pay continues at \$5.00. The case manager determined that his medical expenses are unchanged and that they were not questionable. Mr. B was not required to reverify his expenses.

Example 6:

The case manager interviewed Mr. D for his recertification. For the last certification period he reported and verified that he had health insurance that cost \$50 monthly. He also reported an ongoing prescription that costs \$75.00 per month. At recertification he reported the same medical expenses. He also reported that two months ago he began receiving SSI. The case manager requested that Mr. D verify the medical expenses because as a recipient of SSI he receives medical assistance, which could change his recurring medical expenses. The case manager verified that he still has the medical insurance policy but now pays only \$1.00 for his prescription.

ACTION DUE

The new policy is effective July 1, 2002.

INQUIRIES

Please direct policy questions to Kay Finegan at 410-767-7939 and systems questions to Gina Roberts at 410-238-1297.

cc: DHR Executive Staff
FIA Management Staff
Constituent Services
DHR Help Desk
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CARES ACTION REQUIRED

After the monthly medical expenses are determined, enter each individual expense on CARES in the following manner:

- Go to the **FSME** screen.
- Enter whether it is a recurring (**RE**) or non-recurring expense (**NO**) in the **Type** field.
- Enter the appropriate frequency of the expense in the **Freq** field.
- Enter the appropriate code for the verification of the expense in the **V** field.
- Enter the date that the expense was incurred in the **Date Incurred** field.
- Enter the appropriate code for the type of service that was provided in the **Service Provided** field.
- Type in the Provider of the aforementioned service in the **Provider Name** field.

NOTE: Of course, as always, properly narrate what medical deductions are being entered and how they were calculated.