Demystifying Medical Expenses

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Demystifying Medical Expenses

Who can claim medical expenses?  
When can they be claimed?  
What are eligible expenses?  
How to verify and apply medical expenses?

What are some techniques to ensure all eligible expenses are counted?
Who’s here?

Manager of family property?

Manager of elderly property?

Manager of both?

How many years?
Who can claim medical expenses?

When can they be claimed?
1. The medical expense deduction is permitted only for families in which the head, spouse, or co-head is at least **62 years old** or is a person with **disabilities** (elderly or disabled families).

2. If the family is eligible for a medical expense deduction, owners must **include the unreimbursed medical expenses of all family members**, including the expenses of nonelderly adults or children living in the family.
Do they qualify?

Endor Meadows
• **Type of property**: Family

• **Household members**
  • **HoH**: Lisa Carr, 43 years old
  • **Co-Head**: Dan Saul Knight, 45 years old
  • **Dependents**:
    • Tamara Knight, 14 years old, disabled
    • Jed I. Knight, 8 years old

Vista de Cerda
• **Type of property**: Elderly

• **Household members**
  • **HoH**: Chris P. Bacon, 75 years old
  • **Spouse**: Candy D. Bacon, 70 years old
Do they qualify?

Casa Allegro

- **Type of property:** Family
- **Household members**
  - **HoH:** Bea Minor, 55, Disabled
  - **Co-Head:** Dee Major, 58
  - **Other Adult Family Member:** Viola Solo
  - **Dependents:**
    - Amanda Lynn
    - Claire Annette Reid

Bedside Manor

- **Type of property:** Family
- **Household members**
  - **HoH:** Joe King, 63
  - **Co-Head:** Constance Noring, 60
  - **Other Adult Family Member:** Leigh King
  - **Dependents:**
    - Burt Nurney
    - Noah Way
Tips for Interviewing Success
Certification and Recertification Questionnaire

• **Tool** - Have a reasonably exhaustive questionnaire that is completed by every applicant and every resident at recertification. If the questionnaire you have doesn’t fulfill the needs of the property, either seek to modify it or create an addendum for the households that are eligible for medical expenses.

• **Procedure** - Review the questionnaire with the resident if they complete it ahead of the interview appointment, or, complete the form with them.

• **Educate** - Identify to the resident who makes the household eligible and explain all household members may claim their unreimbursed expenses.
When Can Medical Expenses be Claimed?

- Move in
- Annual Recertification
- Interim Recertification
- No overlap of prior or future year
3. Medical expenses include all expenses the family anticipates to incur during the 12 months following certification/recertification that are not reimbursed by an outside source, such as insurance.

4. The owner may use the ongoing expenses the family paid in the 12 months preceding the certification/recertification to estimate anticipated medical expenses.
In addition to anticipated expenses, past one-time nonrecurring medical expenses that have been paid in full may be included in the calculation of the medical expense deduction for current tenants at an initial, interim or annual recertification. Past one-time nonrecurring medical expenses that have been paid in full are not applicable when calculating anticipated medical expenses at move-in. If the tenant is under a payment plan, the expense would be counted as anticipated.
There are two options for addressing one-time medical expenses. These expenses may be added to the family’s total medical expenses either: (1) at the time the expense occurs, through an interim recertification, or (2) at the upcoming annual recertification.

Note: If the one-time expense is added at an interim recertification, it cannot be added to expenses at the annual recertification.

When a family is making regular payments over time on a bill for a past one-time medical expense, those payments are included in anticipated medical expenses. However, if a family has received a deduction for the full amount of a medical bill it is paying over time, the family cannot continue to count that bill even if the bill has not yet been paid.
When can they be claimed?

Casa de Cerda

• **Type of property**: Elderly
• **Household members**
  • **HoH**: Chris P. Bacon
  • **Spouse**: Candy D. Bacon

Certification Type: **Move In**

• **Chris**:
  • Medicare Part B, Part D
  • Co-pays to GP, specialists, Pharmacy
  • Paid $500 for dentures in the last 12 months

• **Candy**:
  • Medicare Part B, Part D
  • On a payment plan for $100/mo. for remaining $1200 for hospital visit last year
When can they be claimed?

**Casa Allegro**

- **Type of property:** Family
- **Household members**
  - **HoH:** Bea Minor, 55, Disabled
  - **Co-Head:** Dee Major, 58
  - **Other Adult Family Member:** Viola Solo
- **Dependents:**
  - Amanda Lynn
  - Claire Annette Reid
- **Certification Type:** Annual Recertification
  - Bea:
    - Pharmacy co-pays
  - Viola:
    - Eyeglasses
  - Claire:
    - Dental work
When can they be claimed?

Casa Allegro

- **Type of property:** Family
- **Household members**
  - **HoH:** Bea Minor, 55, Disabled
  - **Co-Head:** Dee Major, 58
  - **Other Adult Family Member:** Viola Solo
- **Dependents:**
  - Amanda Lynn
  - Claire Annette Reid

Certification Type: **Interim Recertification**

- **Bea:**
  - Pharmacy co-pays
- **Viola:**
  - Eyeglasses
- **Claire**
  - Dental work
- **Amanda**
  - Hospital bill
Two options for addressing one-time medical expenses:

- (1) at the time the expense occurs, through an interim recertification, or
- (2) at the upcoming annual recertification

**NOTE:** If the one-time expense is added at an interim recertification, it cannot be added to expenses at the annual recertification.

Recurring expenses, i.e. a newly established monthly payment plan, can be added at a prorated amount with an interim certification.
Tips for Interviewing Success

Interim or Annual Recertification

• **Procedure** - Review the situation with the resident and ask whether the expense is one time or recurring.

• **Educate** - Offer to the resident the options of completing an interim certification or wait until the upcoming annual. The resident must decide which option they prefer.
Questions?
What are Eligible Medical Expenses?
Not all elderly or disabled applicants or participants are aware that their unreimbursed expenses for medical care are included in the calculation of adjusted income for elderly or disabled families. For that reason, it is important for owners to ask enough questions to obtain complete information about allowable medical expenses. The following list highlights some of the most common expenses that may be deducted. A list of examples of eligible medical expenses may be found in Exhibit 5-3.
a. Services of doctors and health care professionals;
b. Services of health care facilities;
c. Medical insurance premiums or costs of an HMO;
d. Prescription/nonprescription medicines that have been prescribed by a physician;
e. Transportation to treatment;
f. Dental expenses;
g. Eyeglasses, hearing aids, batteries;
h. Live-in or periodic medical assistance such as nursing services, or costs for an assistance animal and its upkeep;
i. Monthly payments on accumulated medical bills;
j. Medical care of a permanently institutionalized family member if his or her income is included in annual income; and
k. Long-term care insurance premiums. The family member paying a long-term care insurance premium must sign a certification (see Sample Certification for Qualified Long-Term Care Insurance Expenses in Exhibit 5-4) that states the insurance is guaranteed renewable, does not provide a cash surrender value, will not cover expenses covered under Medicare, and restricts the use of refunds. The certification must be maintained in the family's occupancy file. (Paragraph 5-6 L.3 describes situations in which long-term care insurance payments must be included in annual income.)
Special calculation for families eligible for disability assistance and medical expense deductions. If an elderly family has both unreimbursed medical expenses and disability assistance expenses, a special calculation is required to ensure that the family’s 3% of income expenditure is applied only one time. Because the deduction for disability assistance expenses is limited by the amount earned by the person enabled to work, the disability deduction must be calculated before the medical deduction is calculated.
a. When a family has unreimbursed disability assistance expenses that are less than 3% of annual income, the family will receive no deduction for disability assistance expense. However, the deduction for medical expenses will be equal to the amount by which the sum of both disability and medical expenses exceeds 3% of annual income.

b. If the disability assistance expense exceeds the amount earned by the person who was enabled to work, the deduction for disability assistance will be capped at the amount earned by that individual. When the family is also eligible for a medical expense deduction, however, the 3% may have been exhausted in the first calculation, and it then will not be applied to medical expenses.

c. When a family has both disability assistance expenses and medical expenses, it is important to review the collected expenses to be sure no expense has been inadvertently included in both categories.
Examples-To include or not to include?

Chris P. Bacon paid his General Practitioner’s office a $10 co-pay for annual physicals.

Candy D. Bacon paid her gastroenterologist’s office a $40 co-pay for her bi-annual visit.

Bea Minor’s Medicare Part B is paid by the county assistance office.

Dee Major paid $20 per month for Long Term Care Insurance.

Claire Annette Reed paid $50 for dental fillings.

Constance Noring’s mother paid for Constance’s hospital bill.

Joe King’s Medicare Part D is taken out of his Social Security payment.
Examples—To include or not to include?

Chris P. Bacon purchased a multi-vitamin for general health, baby aspirin prescribed from his heart doctor to treat an existing condition, and an herbal supplement for energy.

Candy D. Bacon paid her chiropractor $40 for chiropractic services.

Candy D. Bacon paid Tammy, her home health aide, $25 every other week to wash dishes and pick up groceries in addition to the nursing services Tammy was there to provide per her job.

Dee Major paid $50 for hearing aid batteries.

Viola Solo paid $50 for x-rays and $30 for a set of crutches after breaking her leg in a powder puff game.

Constance Noring paid $80 for outpatient medical expenses.

Burt Nurney paid $500 during the year for braces.
Tips for Interviewing Success

Which expenses to include

**Tool** - Exhibit 5-3.

**Procedure** - Have Exhibit 5-3 handy with the expenses that are NOT included highlighted. Most expenses are eligible as long as they treat a condition and are not reimbursed by an outside source.

**Educate** - If a resident is requesting an ineligible expense, provide the Exhibit 5-3 to demonstrate its status.
Questions?
How to Verify and Apply Eligible Medical Expenses?
A. Key Requirements: (1, 3, 5)

• Owners must verify all income, assets, expenses, deductions, family characteristics, and circumstances that affect family eligibility or level of assistance.

• Applicants and adult family members must sign consent forms to authorize the owner to collect information to verify eligibility, income, assets, expenses, and deductions. Applicants and tenants who do not sign required consent forms will not receive assistance.

• The owner must handle any information obtained to verify eligibility or income in accordance with the Privacy Act.
Appendix 3: Acceptable Forms of Verification

<table>
<thead>
<tr>
<th>Factor to be Verified</th>
<th>Written</th>
<th>Oral</th>
<th><em>Provided by Applicant</em></th>
<th><em>Provided by Applicant</em></th>
<th>Self-Declaration</th>
<th>Verification Tips</th>
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<tbody>
<tr>
<td>Medical expenses</td>
<td>Verification by a doctor, hospital or clinic, dentist, pharmacist, etc. of estimated medical costs to be incurred or regular payments expected to be made on outstanding bills which are not covered by insurance.</td>
<td>Copies of cancelled checks that verify payments on outstanding medical bills that will continue for all or part of the next 12 months.</td>
<td>Notarized statement or signed affidavit of transportation expenses directly related to medical treatment, if there is no other source of verification.</td>
<td>Medical expenses are not allowable as deduction unless applicant is an elderly or disabled family. Status must be verified.</td>
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<td></td>
<td>Copies of income tax forms (Schedule A, IRS Form 1040) that itemize medical expenses, when the expenses are not expected to change over the next 12 months.</td>
<td>Receipts, or pay stubs, which indicate health insurance premium costs, or payments to a resident attendant.</td>
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<tr>
<td></td>
<td>Receipts or ticket stubs that verify transportation expenses directly related to medical expenses.</td>
<td>Telephone or in-person contact with these sources, documented in file by the owner.</td>
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<tr>
<td>Need for an assistive animal.</td>
<td>Letter from <em>appropriate third party unless the need is readily apparent or already known</em>.</td>
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**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form "HUD-9887-A".

**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

**NOTE:** For use of EV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.

**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

HUD Occupancy Handbook
Appendix 3: Acceptable Forms of Verification
Acceptable methods of verification, in order of acceptability: 1) upfront-income verification (UIV) with use of EIV being mandatory and use of non-EIV UIV being optional; 2) third-party verification from source (written), 3) third-party verification from source (oral), and 4) family certification.* If third-party verification is not available, owners must document the tenant file to explain why third-party verification was not available. Appendix 3 provides a detailed list of acceptable forms of verification by type of information.
Third Party

- **Written**: Verification by a doctor, hospital or clinic, dentist, pharmacist, etc., of estimated medical costs to be incurred or regular payments expected to be made on outstanding bills which are not covered by insurance.

- **Provided by the Applicant**: Copies of income tax forms (Schedule A, IRS Form 1040) that itemize medical expenses, when the expenses are not expected to change over the next 12 months. ● Receipts, or pay stubs, which indicate health insurance premium costs, or payments to a resident attendant. ● Receipts or ticket stubs that verify transportation expenses directly related to medical expenses. **CCU-Current, Complete, Unaltered**

- **Oral**: Telephone or in person contact with these sources, documented in file by the owner.
Provided by Applicant

- Copies of cancelled checks that verify payments on outstanding medical bills that will continue for all or part of the next 12 months.
- Cancelled checks which indicate health insurance premium costs, or payments to a resident attendant.
Self-Declaration

- Notarized statement or signed affidavit of transportation expenses directly related to medical treatment, if there is no other source of verification.
Tips for Interviewing Success
Preparing the Resident to Bring Documentation

• **Tool** - Your reasonably exhaustive questionnaire, again. Also, Appendix 3.

• **Procedure** - Review the questionnaire with the resident and ask what their payment process is for each bill. Do they mail a check in? (cancelled checks shown on bank statement?) Do they have automatic payments from their checking? Pay at the office and receive a receipt?

• **Educate** - Explain to the resident while you may third party request the information, that they will want to locate the documents that are eligible to prove those expenses. This would be in the event they are not completed timely, or the information provided is contrary to what is anticipated by the resident.
5. The medical expense deduction is that portion of total medical expenses that exceeds 3% of annual income.
Tips for Recertification Success

• **Tool** - Your software program-Yardi, RealPage/OneSite/etc. and calculation worksheet in Excel, if possible.

• **Procedure** - Collect all the medical expense documentation for the household. Calculate each source’s information (if needed) using a calculator tape or highlight on each form/document the amount to be transposed into the software program. Enter information in the calculation worksheet, then into the software for a double check on your entries to ensure the totals match.

• **Educate** - Once the certification is complete and the resident comes to sign, review the expenses that were included in the certification. If the resident disagrees with an amount, review the documentation you received with them to better understand. If they have contradicting documentation, ask them to provide it so you may review it.
Recap of Tips

- Utilize the questionnaire and be involved in the process.
- Identify who is eligible for the expenses.
- Explain what is eligible to claim.
- Describe what they need to provide.
- Reference HUD 4350.3 Exhibit 5-3.
- Communicate clearly with resident is key!
Questions?
Thank you for attending!

**The PowerPoint will be available on the website for download, to access the links throughout.**