

E NA Medical Expenses and Deduction



NA medical expenses are expenses incurred by participants who are elderly or have a disability.

Policy

Medical expenses are allowable as a deduction for NA participants who are elderly or have a disability. The medical expense must belong to and be billed to the participant.

An NA budgetary unit may be eligible for a Standard Medical Deduction (SMD) of \$160 minus the \$35 disregard for a net total of \$125.

For a budgetary unit to be eligible for the SMD, a monthly medical expense of more than \$35 must be verified with a new application or when new monthly medical expenses are reported.

AZTECS applies a \$35 disregard to all medical expenses in the budgetary unit, regardless of the number of elderly participants or participants with a disability included in the case.

The following NA participants are eligible for a medical expense deduction when the amount of the medical expense is greater than \$35:

- Elderly participants or participants with a disability. (See [Elderly or Have a Disability - NA Special Considerations](#) for specific requirements)
- Deceased participants when **all** of the following requirements are met:
 - The deceased participant would have been eligible for the deduction in the month the expense was billed.
 - The remaining budgetary unit participants are legally responsible for the bill.
- Participants who are eligible for and receiving SSI. When the participant begins receiving SSI, allow excess medical expenses incurred from the **later** of the following:
 - The date of the NA application.
 - The date when SSI eligibility began.

Budgetary units with elderly participants or participants with a disability receive **one** of the following deductions from their income:

- A SMD of \$160 minus a \$35 disregard which equals \$125.
- An actual monthly out-of-pocket medical expense deduction, minus a \$35 disregard when expenses exceed the \$160 SMD amount.

AZTECS uses whichever medical deduction expense is higher to benefit the budgetary unit.

With a new application, or when the budgetary unit is reporting new monthly medical

expenses, FAA explains the SMD option to the budgetary unit. The medical expenses are verified before the medical deduction can be used as follows:

- At least \$35.01 when using the SMD
- All out-of-pocket expenses when they exceed \$160 per month

Allowable and Not Allowable Medical Expenses

See the following for additional information on allowable medical expenses:

- [Service Animals](#)
- [Hospital Costs](#)
- [Medical and Dental Care Fees](#)
- [Medical Assistants](#)
- [Medical Insurance Premiums](#)
- [Medical Lodging](#)
- [Medical Supplies](#)
- [Medical Transportation](#)
- [Medicare Premiums](#)
- [Medication and Prescriptions](#)

The following medical expenses are not allowable:

- Charge accounts used for both medical expenses and other miscellaneous expenses

NOTE When a portion of the bill that is for medical expenses can be determined, only that portion is allowed. Medical expenses paid in monthly installments are considered billed when the statement is received. When no due date is indicated for a medical expense, the bill is considered due in the month following the billing date.

- Charge account interest when medical expenses are paid in monthly installments
- Medical bills that were paid before a new application month
- Amounts carried forward from past billing periods and late charges even when included with the most recent billing and actually paid by the participant
- Expenses covered by a reimbursement or vendor payment
- Expenses covered by a second mortgage

Service Animals

The costs to secure and maintain professionally trained service animals that assist elderly participants or participants with a disability in performing normal living activities

are allowable as NA medical expenses.

Service animals, including the following:

- Seeing-eye animals
- Hearing-ear animals

A service animal is defined as an animal that is trained to do work or perform tasks for elderly participants or participants with a disability. Participant statement verification is required to determine whether the service animal meets **all** of the following requirements:

- The service animal is required because of a medical issue
- The animal is specifically trained to perform work or tasks for the participant

It is not a requirement that a physician or medical professional prescribe the need for the animal when the participant is elderly or has a disability in accordance with NA requirements. (See [Elderly or Have a Disability - NA Special Considerations](#) for specific requirements)

Allowable maintenance costs include the following:

- Purchase of animal food
- Veterinary services
- Kennel fees
- Training

NOTE Breeding and whelping fees are not allowable.

Hospital Costs

The costs for hospital stays, nursing home care, or outpatient treatment are allowable expense deductions when authorized by a licensed practitioner or [U.S. medically qualified source\(g\)](#). The total amount shown on the final bill reflects the amount due after all insurance payments have been received. This is considered the allowable amount.

NOTE These expenses are allowed for any participant who was in an NA budgetary unit immediately before entering a hospital or nursing home.

Medical and Dental Care Fees

Medical and dental care fees are allowable. This includes the following medical fees:

- Psychotherapy
- Rehabilitation services
- Acupuncturists, massage therapists, herbalists, and other alternative medicine practitioners licensed and recognized by the State Medical Board and prescribed by a State-licensed practitioner

Medical Assistants

The costs for employing **any** of the following are allowable medical expenses:

- Attendant
- Homemaker
- Home health aide
- Nurse
- Housekeeper
- Dependent care service

When the participant provides two or more of the assistant's daily meals, an amount equal to the maximum NA allotment for a one-person budgetary unit is allowable. (See [Thrifty Food Plan](#) for the amount.)

When the budgetary unit has assistant care costs that could qualify as either a medical or a dependent care expense, the cost is allowed as a medical expense.

Medical Insurance Premiums

Medical and hospitalization insurance premiums intended to cover medical expenses are allowable. This includes health, dental, and vision insurance. When a group policy does not specify how much of the premium is for each person, the amount is divided among those included in the policy. Only the portion of the insurance premium assigned to the elderly or participant with a disability is budgeted.

Costs for accident and disability insurance benefits are not allowed. These include the following:

- Benefits payable in lump sum settlements for death or dismemberment.
- Income maintenance policies that cover mortgage or loan payments (including auto loans) while the policyholder or beneficiary who has a disability.

Medical Lodging

The cost of lodging to obtain medical treatment or services such as doctor or dental visits and supplies are allowable.

Up to \$40 per day for lodging is allowed when the participant must travel over 50 miles to obtain medical treatments or services. Examples of medical treatments or services include the following:

- Prescriptions
- Eyeglasses
- Dentures
- Hearing aids
- Sickroom equipment

NOTE The cost of food is not allowed as a deduction.

Medical Supplies

The following medical supply costs are allowable when authorized by a [U.S. medically qualified source\(g\)](#):

- Syringes
- Oxygen
- Sickroom equipment
- Purchase of other medically necessary medical supplies
- Cost of or rental fees for prescribed equipment
- The initial purchase, replacement, or repair of **any** of the following:
 - Dentures
 - Eyeglasses or contact lenses, when prescribed by an ophthalmologist or optometrist
 - Hearing aids
 - Telephonic aids for the hearing impaired
 - Prostheses

NOTE This does not include the cost of special diets.

Medical Transportation

The cost of transportation to obtain medical treatment or services such as doctor or dental visits and supplies, are allowable.

Examples of medical treatments or services include the following:

- Prescriptions
- Eyeglasses
- Dentures
- Hearing aids
- Sickroom equipment

The amount of the transportation cost is determined using the following:

- The mileage standard when private vehicles are used. (See [mileage standard](#) for the current amount)
- The actual cost of fare when public transportation or common carrier is used.

Medicare Premium Medical Expense

Medicare insurance premiums for participants who are eligible to receive Social Security Administration (SSA) benefits are allowable. The premium is not allowed when paid by

the State of Arizona.

Medication and Prescriptions

The following expenses are allowable deductions:

- Prescription drugs.
- Over-the-counter medication purchases (including insulin) can be allowed as medical deductions when approved by a [U.S. medically qualified source\(g\)](#).
- Shipping, handling and postage for mail order or online prescription drugs.

The following purchases are not allowed as a deduction:

- Any item that can be purchased with NA benefits. (See [Allowable Purchases](#) for a list of items)
- Any item that is considered as a special diet.
- [Medicinal marijuana\(g\)](#).

Procedures

With a new application, staff must complete the Standard Medical Deduction Worksheet (FAA-1813A) form explaining the SMD and the actual medical expense deduction. Upload the completed form into OnBase.

Allow as a deduction the total medical expense cost that is not covered by Medicare or other health insurance coverage. This amount is used to calculate the medical deduction. AZTECS deducts only one \$35 disregard per budgetary unit.

To determine when the payer of the Medicare premium is the State of Arizona, review **one** of the following screens:

- In HEAplus, SOLQI (See page three of the SOLQI Desk Reference Guide located for internal use only in the FAA Policy Support SharePoint Site Doc Library)
- In AZTECS, AZ displays in the PREMIUM PAYER field on BDXI

Request verification for expenses when **any** of the following occurs:

- New application
- Renewal application
- When a reported change in the expense is received (See [NA Medical Expenses – Effecting Changes](#) for change procedures)
- When the expense amount is [questionable\(g\)](#)



For the safety of the participant, do not upload any document that shows the actual address of an Address Confidentiality Program (ACP) participant. Any person who intentionally obtains or discloses information regarding the physical address of an ACP participant is potentially guilty of a class one misdemeanor. (See [ACP](#) for more information about the program)

Insured Medical Expenses - NA

NA budgetary unit participants only receive a medical deduction after all reimbursements and payments have been made. Determine during the interview when the participant can reasonably expect reimbursement for part or all of the expense.

NOTE Participants may be insured by more than one health insurance.

When the medical expense is a hospital bill, the total amount shown on the final bill is considered as a medical expense. The final bill reflects the amount due after all insurance payments have been made.

When Medicare or other insurance covers the medical expense, 20% of the total bill is allowed, unless verification is provided indicating that the insurance covers less than 80% of the expense.

Allow the participant's portion of medical expenses that remain after those that have been covered by vendor payments or reimbursements have been deducted. Verification of payment or nonpayment by the vendor must be provided by the participant.

Budgeting

The NA budgetary unit expenses are calculated based on the expenses for which the budgetary unit expects to be billed during the approval period.

When the actual amounts of expenses for a budget month are unknown, project the expense based on past medical receipts showing stable and recurring medical expenses that establish the basis for projecting future expenses.

NOTE Verification of the future medical expenses is not required when the expense has been projected based on past medical expense receipts.

When projecting medical expenses for which a due date is not indicated, consider the bill is due in the month following the billing date.

Budget the expense to the participant's advantage using **one** of the following options:

- Average the expense. (See [Averaging Medical Expenses](#) for averaging procedures)
- Budget the entire expense in the month after it is incurred or billed.
- When there is a payment agreement in place, budget past due amounts in the month due or average the amount over the approval period when determining benefits for future months.
- Use the actual amount billed each month when the participant has established a repayment agreement.

Allow the total amount of the uninsured expense when verification has been provided.

NOTE Allow only the portion of the medical expense that is not covered by Medicare or other health insurance coverage. Determine at the interview, whether the participant can reasonably expect reimbursement for all or part of the expense.

Averaging Medical Expenses

Allow the average monthly medical expenses billed before the approval period when the expenses are anticipated to continue.

Determine when to allow medical expenses as follows:

- Average fluctuating medical expenses only when **all** of the following apply to the expense:
 - Regularly occurring
 - Reasonably anticipated
 - Verified
- Participants reporting one-time only medical expenses may be given the option of **one** of the following:
 - A one-time medical deduction for the month after the month the expense is incurred or billed.
 - Average the expense through the end of the approval period starting with the month the change became effective.
 - Average the expense over more than one approval period when **all** of the following occur:
 - A past due amount is being carried over from previous months
 - Monthly payments have been established
 - The expense is likely to continue
- Recurring medical expenses that were initially verified may be averaged instead of submitting actual receipts on a monthly basis.
- When an expense is billed less than on a monthly basis, convert the expense to a monthly amount.

Keying Medical Expense Amounts

Key the budgeted amount on the appropriate screens in AZTECS.

Key only expenses that have been verified by documented or collateral contact verification. Participant statement verification may be used, when allowed. When requested verification is not provided, determine the benefit amount without allowing the unverified expense. Do not deny or close the case because the expense was not verified.

When keying Medicare premiums as an expense see [Medicare Premiums](#).

Verification

Documented or collateral contact verification is needed to verify the obligation to pay NA medical expenses when **any** of the following occur:

- A new application is submitted or new changes in out-of-pocket medical expenses is reported during the approval period:

When the budgetary unit is potentially eligible for the Standard Medical Deduction (SMD) verification of \$35.01 must be provided.

When the budgetary unit is potentially eligible for medical expenses, which exceed the SMD, all medical expenses must be verified.

- Renewal applications:

Changes of more than \$25 in actual medical expenses which exceed the SMD must be verified.

NOTE Participant statement verification is allowed as the primary source of verification at the time of the renewal interview, unless it is [questionable\(g\)](#), when **one** of the following occurs:

- The budgetary unit is receiving the SMD.
- Changes to medical expenses are less than \$25 when the budgetary unit is receiving their actual medical expense in excess of the SMD.
- The expense amount is questionable.

When the budgetary unit does not provide verification of the actual medical expenses that exceed the SMD, but provides verification of at least \$35.01, the budgetary unit receives the SMD.

Verification that can be used includes the following:

- Medical bills
- Insurance receipts (latest payment or billing)
- Current statement from a [medical provider\(g\)](#) responsible for providing care
- Collateral contact with the medical provider or insurance company
- Participant statement verification can be used when it is not questionable for **one or more** of following:

Renewal applications when the SMD was previously applied

A change that is less than \$25 is reported on an existing medical expense when medical expenses exceed the SMD

Verification of a [Medicare\(g\)](#) expense that can be used includes the following:

- Award or benefit letter from the Social Security Administration (SSA)
- State Verification Exchange System (SVES)
- Collateral contact with the SSA

AZTECS Keying Procedures

Key the amount using **one** of the following Expense Codes on EXNS (or EXPC when the expense is billed other than monthly):

- Medicare Premiums – ME MC

- All other medical expenses – ME

Medicare premiums paid by the State of Arizona are considered vendor payments. Key the VP Unearned Income Code in the INC TYPE field on UNIN.

Converting to a Monthly Amount

Key expenses billed monthly on EXNS. When the expense is billed other than monthly, use EXPC to convert the expense to a monthly amount. Key **one** of the following Frequency Codes in the FREQ field on EXPC:

- WK when billed on a weekly basis. AZTECS converts the amount to a monthly amount by multiplying the amount keyed by 4.3.
- BW when billed on a bi-weekly basis (every two weeks). AZTECS converts the amount to a monthly amount by multiplying the amount keyed by 2.15.
- SM when billed on a semi-monthly basis (twice a month). AZTECS converts the amount to a monthly amount by multiplying the amount keyed by 2.
- QR when billed on a quarterly basis (four times per year). AZTECS converts the amount to a monthly amount by dividing the amount keyed by 3.
- SE when billed on a semi-annual basis (twice per year). AZTECS converts the amount to a monthly amount by dividing the amount keyed by 6.
- AN when billed on an annual basis (once per year). AZTECS converts the amount to a monthly amount by dividing the amount keyed by 12.
- OC when billed on an occasional basis. AZTECS converts the expense keyed by multiplying the amount by 1.

To access EXPC, key Y in the WS field on EXNS and press the Enter key. After keying the information on EXPC, press the Enter key to return to EXNS. AZTECS processes EXPC and displays the converted expenses on EXNS.

NOTE Do not convert an expense when it is less than a full month's expense due to the expense starting or stopping. Key the actual expense using the AC Frequency Code on EXPC for the month billed and change it for ongoing months.

Legal Authorities

7 CFR 273.9(d)

7 CFR 273.10(d)

7 CFR 273.9(d)(3)

7 CFR 273.10(d)(4)

Approved Food and Nutrition Service (FNS) Demonstration Project until 2025

[Prior Policy](#)

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