

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814



October 6, 1995

ALL-COUNTY LETTER NO. 95-57

TO: ALL COUNTY WELFARE DIRECTORS

REASON FOR THIS TRANSMITTAL

- State Law Change
- Federal Law or Regulation Change
- Court Order or Settlement Agreement
- Clarification Requested by One or More Counties
- Initiated by CDSS

SUBJECT: IMPLEMENTATION OF FOOD STAMP REGULATIONS REGARDING MEDICAL EXPENSE DEDUCTIONS

REFERENCES: MANUAL SECTIONS (MS) 63-037 and 63-037.1 and .2; 63-503.252(a), (b), and(c); 63-503.253(a); 63-503.254(a)(2); 63-504.341(b); 63-504.421(c), (d) and (e); 63-504.631(a) and (b); 63-505.34; 63-505.4 and .4(c); 63-505.511, 63-505.52, 63-505.6, and 63-505.64.

This letter provides County Welfare Departments (CWDs) with information and implementation instructions on revisions to the medical expense deduction regulations. Public Law 100-435 amended the Food Stamp Act to require states to change their reporting and verification requirements for medical expenses. Federal Food Stamp regulations have been amended to reflect the intent of the Act. The effective date for implementation of these regulations is November 1, 1995.

Revised provisions and amended regulations are included with this All County Letter as an attachment. Also included is a reproducible copy of a stuffer which counties are to use to inform households of these changes. To obtain a camera-ready copy of the English and/or Spanish versions of the stuffer, telephone or write to:

CDSS Forms Management Unit
744 P Street, M.S. 7-182
Sacramento, CA 95814
(916) 657-1907/(CALNET) 437-1907
FAX (916) 653-7395/(CALNET) 8-453-7395

Indochinese translations of this stuffer will be available soon. To obtain a camera-ready copy of the Cambodian, Chinese, or Vietnamese translations of the stuffer, telephone or write to:

CDSS Language Services Bureau
744 P Street, MS. 9-024
Sacramento, CA 95814
(916) 654-1282/(CALNET) 464-1282
FAX (916) 654-1295/(CALNET) 8-464-1295

If you have any questions, please contact Ms. Chris Waters-Kane of the Food Stamp Program Bureau, Policy Implementation Unit, at (916) 654-1529.



BRUCE WAGSTAFF
Deputy Director
Welfare Programs Division

Attachment

IMPLEMENTATION OF MEDICAL EXPENSE DEDUCTION AMENDMENTS (M.S. 63-037, 63-037.1 and .2)

M.S. 63-037 and 63-037.1 and .2 are being adopted to implement revised regulations for reporting and verifying for medical expenses.

DETERMINING HOUSEHOLD ELIGIBILITY AND BENEFIT LEVELS (M.S. 63-503.252(a), (b), and (c); 63-503.253(a); and 63-503.254(a)(2))

M.S. 63-503.252(a) is being amended to correct the existing handbook reference for Section 63-1101.4 to Section 63-1101.25 which addresses the Excess Medical Deduction.

M.S. 63-503.252(b) is being amended to specify that if a medical expense occurs during the certification period and the eligible household member chooses to report and verify the expense, it shall be considered a one-time only expense.

M.S. 63-503.252(c) is being amended to specify that medical expenses which are averaged over two or more months shall be prospectively budgeted.

M.S. 63-503.253(a) is being adopted to specify that an eligible household member must report and verify all medical expenses at certification and recertification, and that they shall not be required to but may voluntarily report these expenses during the certification period. Households may voluntarily report these changes.

M.S. 63-503.254(a)(2) is being adopted to specify that if there is no supporting documentation or verification of a medical expense at the time of certification, the nonreimbursable portion of that expense will not be allowable as a deduction until that expense is reported and verified.

HOUSEHOLD CERTIFICATION AND CONTINUING ELIGIBILITY (M.S. 63-504.341(b); 63-504.421(c), (d) and (e); 63-504.631(a) and (b))

M.S. 63-504.341(b) is being amended to delete the requirement that the household provide verification of changes in medical expenses with the monthly report during the certification period. The amendment also adds the provision which states that a household may choose to report these changes, but verification must be provided in order for the change to be allowed if it will increase the allotment. If the change decreases the household's allotment, verification is required prior to recertification.

M.S. 63-504.421(c), (d), and (e) are being reformatted to clarify the distinctions between verification requirements for income, medical expenses, utility expenses, and child support obligations during the certification period. Also, these sections are being amended to correct an inconsistency regarding the requirement for verification when the

source of a household's income has changed, to adopt language to specify that the County Welfare Department (CWD) shall not act on changes in medical expenses reported by a source other than the household, unless these changes are verified upon receipt and do not require contact with the household, and to adopt language to specify what the verification requirements are if the household chooses to report medical expenses during the certification period.

M.S. 63-504.631(a) and (b) are being amended and restructured to clarify the distinctions between verification requirements for income, medical expenses, utility expenses, and child support obligations which are reported at recertification.

HOUSEHOLD RESPONSIBILITIES (M.S. 63-505.34; 63-505.4 and .4(c); 63-505.511; 63-505.52; 63-505.6 and .64)

M.S. 63-505.34 is being repealed to delete the requirement for monthly reporting households to report changes in medical expenses.

M.S. 63-505.4 is being amended to clarify that the CWD may request that verification be submitted for any item that has changed or appears questionable.

M.S. 63-505.4(c) is being amended to delete the requirement that the household provide verification for changes in medical expenses with the monthly report. The amendment also adds a provision that instructs that a household may choose to report these changes, and what verification procedures apply if they decide to do so.

M.S. 63-505.511 is being amended to delete the reference to medical expenses.

M.S. 63-505.52 is being renumbered and moved for clarity to new section 63-505.6. This is necessary because 63-505.52 addresses both monthly and non-monthly reporters whereas Section 63-505.5 is specific to nonmonthly reporters. In addition, Section 63-505.53 is being renumbered to 63-505.52 to accommodate this revision.

M.S. 63-505.6 is being adopted for clarity to accommodate the provisions of 63-505.52, which is being moved because it applies to both monthly and nonmonthly reporters, and Section 63-505.5 is specific to nonmonthly reporters.

M.S. 63-505.64 is being adopted to add new or increased medical expenses to the list of changes a household is encouraged to report, as they may be entitled to an increased Food Stamp allotment.

Adopt new Section 63-037 to read:

63-037 IMPLEMENTATION OF MEDICAL EXPENSE DEDUCTION AMENDMENTS

63-037

- .1 Effective on November 1, 1995, counties shall implement the revised provisions on reporting and verifying medical expenses in Sections 63-503.252(a), (b) and (c), .253(a), (b), and (c) and .254(a)(1) and (2); Sections 63-504.341(b), .421(c), (c)(1), (c)(2), (c)(3), (c)(4), (d), and (e), and .631(c); Sections 63-505.41 and 41(c), .511, .52 and .6 and discontinue using repealed Sections 63-505.34.
- .2 The provisions shall be implemented for all households that newly apply for Food Stamp Program benefits on or after the required implementation date. CWDs shall notify households eligible for the deduction of the change in medical deduction reporting requirements and the right of the household to be converted to those new procedures immediately. The current caseload shall be converted to these provisions at the household's request, at the time of recertification, or when the case is next reviewed, whichever occurs first.

Authority Cited: Sections 10554 and 18904, Welfare and Institutions Code.

Reference: Public Law (P.L.) 100-435, Section 351; P.L. 101-624, Section 1717 [7 U.S.C. 2014(e)], and U.S.D.A. Food and Nutrition Service Federal Register, Vol. 60, No. 67, dated April 7, 1995, pages 17628 through 17631.

Amend Sections 63-503.252, .253, and .254 to read:

63-503 DETERMINING HOUSEHOLD ELIGIBILITY AND BENEFIT LEVELS
(Continued)

63-503

.2 Determining Resources, Income and Deductions (Continued)

.25 Determining Deductions For All Households (Continued)

.251 (Continued)

.252 Averaging Expenses (Continued)

(a) Households reporting medical expenses, as specified in Section 63-502.331, during their certification period, with no specified payment schedule, may elect to have a one-time only deduction in the month billed, or to have the expense averaged over the remaining months of their certification period. Averaging would begin in the month the change becomes effective and only the amount in excess of that specified in Handbook Section 63-1101.425 shall be deducted each month.

(b) When the eligible household member has a written agreement, contract, or other type of written plan for payment of billed medical expenses, the stipulated amount of monthly payment shall be the base for determining the monthly excess medical expenses. Fluctuating medical expenses may be averaged over the certification period. Households may elect to average medical expenses billed less often than monthly over the certification period or claim such expenses in the month received. Medical expenses averaged over the certification period shall not be determined by automatically averaging past months' medical expenses. Past expenses shall be used only as an indicator of the expenses that are estimated or reasonably anticipated during the certification period. Fluctuating medical expenses may be allowed as a deduction and averaged over the certification period only if regularly recurring, reasonably anticipated and verified to recur over the certification period. Fluctuating medical expenses include, but are not limited to: medical service and treatments received regularly, but less often than monthly, and fluctuating monthly health expenses for prescription drugs. Expenses that occur and are reported and verified during the certification period that were not anticipated and deducted shall be considered one-time only expenses and may be deducted in the month billed or averaged over the remaining months of the certification period.

- (c) For retrospectively budgeted households, the CWD shall budget deductible expenses or payments for the child support deduction averaged over two or more months retrospectively, except medical expenses, provided that such deductions are not budgeted over more months than they are intended to cover, and the total amount deducted does not exceed the total amount of the expenses. Medical expenses shall be budgeted prospectively. The CWD shall continue to allow deductions for expenses incurred or payments made for the child support deduction even if billed on other than a monthly basis unless the household reports a change in the expense. At that time, it shall be recalculated.

.253 Anticipating/Estimating Expenses

(a) Medical Expenses

At certification and recertification, the CWD shall require the household to report and provide verification of all medical expenses. The household's monthly medical deduction for the certification period shall be based on the information reported and verified by the household. This information shall include any anticipated changes in the household's medical expenses that can be reasonably expected to occur during the certification period based on available information about the recipient's medical condition, public or private insurance coverage, and current verified medical expenses. During the certification period, reporting of any medical expense shall be on a voluntary basis. If the household voluntarily reports a change in medical expenses which increases the household's allotment, the CWD shall verify the change as specified in Section 63-504.421(c) prior to acting on the change. If the reported change decreases the household's allotment, or makes the household ineligible, the CWD shall act on the change without requiring verification. However, verification required as specified in Section 63-504.421(c) shall be obtained prior to the household's recertification.

(b) Other Expenses

The CWD shall calculate a nonmonthly reporting household's expenses based on the expenses the household expects to be billed for or based on the payments expected to be made for the child support deduction during the certification period. Anticipation of the expenses or payments for the child support deduction shall be based on the most recent month's bills, or payments for the child support deduction unless the household is reasonably certain a change will occur. When the household is not claiming the standard utility allowance, the CWD may anticipate changes during

the certification period based on last year's bills from the same period updated by overall price increases; or, if only the most recent bill is available, utility cost increases or decreases over the months of the certification period may be based on utility company estimates for the type of dwelling and utilities used by the household. The CWD shall not average past expenses, such as utility bills for the last several months, as a method of anticipating utility costs for the certification period.

(c) Expenses In the Beginning Months

For households which ~~shall be~~ are subject to retrospective budgeting, the procedures in Section 63-503.212(c)(1) which explain how to estimate income in the beginning months shall be used to estimate expenses in the beginning months. The CWD shall budget expenses regularly billed as a single monthly payment for the months such expenses are intended to cover.

.254 Disallowed expenses. The following expenses are not deductible:

(a) (Continued)

(1) However, that portion of an allowable medical expense which is not reimbursable shall be included as part of the household's medical expenses. See Section 63-502.33 on nonreimbursable medical costs.

(2) If the household reports an allowable medical expense at the time of certification but cannot provide verification at that time, and if the amount of the expense cannot be reasonably anticipated based upon available information about the recipient's medical condition, and public or private medical insurance coverage, the CWD shall not deduct the expense. The household shall have the nonreimbursable portion of the medical expense deducted at the time the amount of the expense or reimbursement is reported and verified. (Continued)

Authority Cited: Sections 10554 and 18904, Welfare and Institutions Code.

Reference: Sections 10554 and 18904, Welfare and Institutions Code; 7 CFR 271.2; 7 CFR 272.3(c)(1)(ii); 7 CFR 273.1(b)(2)(iii); 7 CFR 273.2(j)(4); 7 CFR 273.10(a)(1)(iii)(B); 7 CFR 273.10(c)(2)(iii), (c)(3)(ii), ~~(d)~~, (d)(1)(i), (d)(4), and (d)(8), and (e)(1)(i)(E-H); 7 CFR 273.11(a)(2)(i), (c), (c)(1), (c)(2)(iii), (c)(3)(ii), (d)(1), and (e)(1); 7 CFR 273.21(f)(2)(ii), (iii), (iv), and (v), (g)(3), (j)(1)(vii)(B), and (s); (Court Order re Final Partial Settlement Agreement in Jones v. Yeutter (C.D. Cal. Feb 1, 1990) _____ F. Supp. _____ ~~1000K/ No/ 07+88+0788YY~~); Waiver Letter WFS-100:FS-10-6-CA, dated October 2, 1990, United States Department of Agriculture, Food and Nutrition Service; Administrative Notice No. 92-23, dated February 20, 1992 and No. 94-39; P.L. 100-435, Section 351, and P.L. 101-624, Section 1717; ~~and~~ [7 U.S.C. 2012, 2014(e), and 2017(c)(2)(B)].

Amend Section 63-504 to read:

63-504 HOUSEHOLD CERTIFICATION AND CONTINUING ELIGIBILITY
(Continued)

63-504

.3 Monthly Reporting (Continued)

.34 CWD Action on a Complete CA 7 Requiring Additional Verification/Information.

.341 The household shall provide with the CA 7 verification of the following items:

(a) (Continued)

(b) All allowable medical expenses. However, if the household voluntarily elects the option of reporting only a change of more than \$25 in total, verification is only required when the change is reported or when there is questionable information which is inaccurate, incomplete, outdated, or inconsistent, in its medical expenses and fails to verify the change as specified in Section 63-504.421(c), and that change would increase the household's allotment, the CWD shall not make the change. The CWD shall act on reported changes without requiring verification if the changes would decrease the household's allotment or make the household ineligible, although verification which is required as specified in Section 63-504.421(c) shall be obtained prior to the household's recertification.

.4 Effecting Changes for Nonmonthly Reporting Households (Continued)

.42 Action on Reported Changes for Prospectively Budgeted Households

.421 The CWD shall take prompt action on all reported changes to determine if the change affects the household's eligibility or allotment.

(a) and (b) (Continued)

(c) Changes reported during the certification period shall be subject to the same verification procedures as apply at initial certification, with the following exceptions.

(1) The CWD shall not verify income, total medical expenses or actual utility expenses which are unchanged or have if the source is unchanged and the amount has changed by \$25 or less.

(2) The CWD shall not verify utility expenses which are unchanged or have changed by \$25 or less.

(3) The CWD shall not verify medical expenses which are unchanged or have changed by \$25 or less. Also, changes in medical expenses obtained from a source other than the household shall not be acted on if, in order to take action, the CWD is required to contact the household for verification. The CWD shall only act on changes received from another source if they are verified upon receipt and do not necessitate contact with the household.

(4) The CWD shall not verify an unchanged legal obligation to pay child support to a nonhousehold member/ or a decrease in the amount of child support paid/ does NOT need to be verified.

(d) The CWD shall verify changes to voluntarily reported medical expenses if the change would increase the household's allotment. In the case of a reported change that would decrease the household's allotment, or make the household ineligible, the CWD shall act on the change without requiring verification, although verification which is required shall be obtained prior to the household's recertification.

(e) The CWD shall verify questionable information which is incomplete, inaccurate, inconsistent or outdated.
(Continued)

.6 Recertification of All Households (Continued)

.63 Process for Recertifying Nonmonthly Reporting Households

.631 The following verification requirements shall apply at recertification:

(a) The CWD shall verify the following: A change in income or actual utility expenses if the source has changed or the amount has changed by more than \$25; previously unreported medical expenses and total recurring medical expenses which have changed by more than \$25; a change in the legal obligation to pay child support or an increase in the amount of child support paid.

(b) The CWD shall verify previously unreported medical expenses and total recurring medical expenses which have changed by more than \$25.

(d) Unchanged Information/ The CWD shall not verify the following: income if the source is unchanged and the amount has changed by \$25 or less; changes of \$25 or less in income/ total medical expenses or actual utility expenses; or decreases in the amount of child support paid. SHALL NOT be verified at recertification/ except for However, any questionable information related to the above expenses which is incomplete, inaccurate, inconsistent, or outdated shall be verified. (Continued)

Authority Cited: Sections 10554, 11265.1, and 18904, Welfare and Institutions Code.

Reference: Sections 10554 and 18904, Welfare and Institutions Code; 7 CFR 271.2; 7 CFR 273.2(f)(1)(ix), ~~(f)(8)(i)~~; ~~(f)(8)(i)(A)~~; and (ii), (j)(3) and (4); 7 CFR 273.8(b); 7 CFR 273.10(d)(4), (g)(1)(i) and (ii); 7 CFR 273.12(a)(1)(vi) and (c); 7 CFR 273.13(a)(2); 7 CFR 273.14(b)(3); 7 CFR 273.21(e)(1), (f)(1)(iii), (f)(1)(iv)(B), (h)(2)(ix), ~~(h)(3)(ii)~~, (i), (j), (j)(1)(vi), (j)(1)(vii)(A) and (r), (j)(2)(iii), (j)(3)(ii), ~~(j)(3)(iii)(C)~~, and (j)(3)(iii)(E); 7 CFR 274.10; P.L. 100-435, Section 351, P.L. 101-624, Section 1717, [7 U.S.C. 2014(e)]; 7 U.S.C. 2014(d)(7) and 2017(c)(2)(B); and U.S.D.A. Food and Nutrition Service Administrative Notice 94-39.

Renumber Section 63-505.53 to .52 and Section 63-505.52 to .6 and amend Sections 63-505.3, .4, .5, and .6 to read:

63-505 HOUSEHOLD RESPONSIBILITIES (Continued)

63-505

.3 Reported Information for Monthly Reporting Households

Households shall report on a monthly basis, the following information about the household:

.31 through .33 (Continued)

134 ALL ALLOWABLE MEDICAL EXPENSES UNLESS THE HOUSEHOLD ELECTS TO REPORT ONLY CHANGES OF \$25 IN TOTAL

.4 Verification Responsibilities for Monthly Reporting Households

.41 The CWD may request verification be submitted for any item that has changed or appears questionable. Monthly reporting households shall provide verification of the following information reported on the CA 7:

(a) and (b) (Continued)

(c) Medical expenses with each CA 7. However, if the household voluntarily elects the option of only reporting a change of more than \$25 in total then verification is only required when the change is reported or when there is questionable information which is inaccurate, incomplete, outdated or inconsistent in its medical expenses, the CWD shall verify the change as specified in Section 63-504.421(c) before acting on it if the change increases the household's allotment. In the case of a reported change that decreases the household's allotment, or makes the household ineligible, the CWD shall act on the change without requiring verification, although verification which is required as specified in Section 63-504.421(c) shall be obtained prior to the household's recertification.

(d) through (j) (Continued)

.5 Reporting Changes for Households Excluded from Monthly Reporting Requirements

.51 Household Responsibility to Report

The CWD shall not impose any food stamp reporting requirements on nonmonthly reporting households except as provided in Sections 63-505.511 through .515. Certified households shall report the following changes in circumstances:

.511 Changes in the sources of income or in the amount of gross monthly income or total medical expenses of more than \$25 (see Section 63-502.137). (Continued)

~~187~~ .52 Timeliness Requirement for Reporting Changes of Nonmonthly Reporting Households (Continued)

~~1871~~ .521 (Continued)

~~1872~~ .522 (Continued)

~~.526~~ Other Changes

Although not required, households ~~should~~ are to be encouraged to report the following changes since such changes may entitle the household to an increased food stamp allotment.

~~.52161~~ A household member reaches age 60, or becomes disabled, as defined in Section 63-102(i).

~~.52262~~ The household incurs a dependent care cost, or an increased dependent care cost (within the maximum).

~~.52263~~ A change in status of citizenship or work registration.

~~.64~~ The household incurs a new medical expense, or an increased medical expense of more than \$25.

Authority Cited: Sections 10554 and 18904, Welfare and Institutions Code.

Reference: 7 CFR 273.2(j)(3) and (4); 7 CFR 273.10(d)(4); 7 CFR 273.11(a)(2)(iii); 7 CFR 273.12, (a)(1)(i), (vi), and (c); 7 CFR 273.2(d); 7 CFR 273.21(b), (b)(4), (f)(1)(xii), (h)(3), and (i); P.L. 100-435, Section 351; P.L. 101-624, Section 1717 [7 U.S.C. 2014(e)] and Section 1723 [7 U.S.C. 2015(c)(1)(A)]; P.L. 102-237, Section 907 [7 U.S.C. 2016(h)(1)]; and Sections 10554 and 18904, Welfare and Institutions Code.

NOTICE TO ALL FOOD STAMP HOUSEHOLDS WITH ELDERLY AND/OR DISABLED MEMBERS IMPORTANT--PLEASE READ

As of November 1, 1995, households with elderly and/or disabled members are no longer required to report **unexpected changes** in medical expenses or **new** medical expenses which happen during the certification period. These households must continue to report these expenses at certification and recertification.

Households with elderly and/or disabled members may still choose to report a change in medical expenses during the certification period. If the household chooses to report a change in its medical expenses, proof of the expense will be

required to verify any change before it can be used in figuring the household's food stamp allotment.

The amount of Food Stamp benefits you will get depends on your household status. You will get a separate notice of any changes in your allotment amount. The medical deduction will be included in this notice. If you think we made a mistake in figuring your allotment because of the medical expenses you pay, the notice will include information on the back on how to ask for a hearing.

AVISO A TODOS LOS GRUPOS PARA FINES DE ESTAMPILLAS PARA COMIDA CON PERSONAS ANCIANAS Y/O DISCAPACITADAS IMPORTANTE-- FAVOR DE LEER

A partir del 1º de noviembre de 1995, los grupos para fines de estampillas para comida con personas ancianas y/o discapacitadas no tienen que reportar **cambios inesperados** en los gastos médicos o **nuevos** gastos médicos que ocurran durante el período de certificación. Estos grupos para fines de estampillas para comida tienen que seguir reportando estos gastos durante la certificación o recertificación.

Los grupos para fines de estampillas para comida con personas ancianas y/o discapacitadas aún pueden reportar los cambios en sus gastos médicos durante el período de certificación. Si el grupo para fines de estampillas para comida elige reportar algún cambio en sus gastos médicos, se

requerirá una prueba del gasto para verificar cualquier cambio, antes que se pueda usar para calcular la asignación de estampillas para comida del grupo.

La cantidad de estampillas para comida que reciba dependerá de la situación de su grupo para fines de estampillas para comida. Usted recibirá una notificación por separado en relación a cualquier cambio que ocurra en la cantidad de su asignación. La deducción médica se incluirá en esta notificación. Si cree que cometimos un error al calcular su asignación, debido a los gastos médicos que paga, se incluirá información acerca de cómo solicitar una audiencia en la parte de atrás de la notificación.