



The Power of Our Voices



10th Annual Arizona AHMA- PSW Conference & Expo

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MEDICAL EXPENSES AND CALCULATIONS

PRESENTED BY: ANITA MOSEMAN

Medical Expense Deduction

Medical expense deduction

- Only when head, spouse, or co-head is 62 or older or a person with disabilities

If family eligible for medical expense deduction

- Must include unreimbursed medical expenses of all members

Exercise

- The Martin family consists of head, Mark (53), his disabled daughter, Sarah (20), Sarah's husband, Dennis (25), the couple's daughter Mary (3), & Sarah's nephew, John (9).
 - Does the household qualify for medical expenses?
 - Would the household qualify for medical expenses if Dennis was head of household?

Exercise

No

Yes



Medical Expense Deduction



Medical expenses include expenses family anticipates to incur during 12 months following certification/recertification

May use ongoing expenses paid in 12 months preceding certification/recertification to estimate anticipated expenses

WHAT IF?

What if I anticipate costs and then find out at the next AR that the tenant didn't spend what was anticipated?

Medical Expense Deduction

Medical expense deduction is portion of medical expenses that exceeds 3% of annual income

Example

Age/head	64	Annual income	\$12,000
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Age/spouse	58	Total medical exps	\$ 1,500
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Sample Calculation

Annual income	\$12,000
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x	<u>.03</u>
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3% of annual income	\$ 360
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Total medical expenses	\$1,500
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<u>- \$360</u>

<i>Allowable</i> medical expenses	\$ 1,140
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Medical Expense Deduction

- Past one-time nonrecurring expenses, paid in full, are included for current tenants at initial, interim or annual
 - Not applicable at move in
- Payment plan expenses would be counted



What is a past one-time nonrecurring medical expense?

1. A once in a lifetime expense
2. An expense that will not reoccur in the same year

Exercise

Maria and Gustav Crumpler had a total of \$2,932 in medical expenses last year. Of this amount, \$932 covered Gustav's gall bladder surgery; \$2,000 was for routine costs that are expected to re-occur in the coming year. Their total annual income is \$25,000. Calculate the TTP for the Feb 1st AR (don't forget the elderly household allowance).

Exercise

$$\$25,000 \times 3\% = \$ 750$$

$$\$2,932 - \$750 = \$ 2,182$$

$$\$25,000 - \$2,582 = \$22,418$$

$$\$22,418/12 \times 30\% = \$ 560$$

Medical Expense Deduction

- Options for one-time medical expenses. May be added to medical expenses either:
 - At time expense occurs, through an interim recertification
 - At upcoming annual recertification
 - If expense is at an interim, it cannot be at annual



Exercise

In June, Maria reports that she had some unanticipated dental surgery at a cost of \$3,550, which the Crumpler's pay in full, and requests an Interim Recertification. Calculate the TTP for the Interim Recertification.

Exercise

$$\$25,000 \times 3\% = \quad \$ 750$$

$$\$2,932 + \$3,550 = \quad \$ 6,482$$

$$\$6,482 - \$750 = \quad \$ 5,732$$

$$\$25,000 - \$6,132 = \quad \$18,868$$

$$\$18,868/12 \times 30\% = \quad \$ 472$$

Exercise

- Calculate how much savings the Crumpler's will save in rent by using unanticipated dental costs on Interim Recertification
- Also calculate how much savings the Crumpler's will have in rent if they have same amount of medical costs as in current Feb 1st AR and use unanticipated dental costs at upcoming Feb 1st AR



Exercise

$$\$560 - \$472 = \$ 88$$

$$\$88 \times 6 = \$ 528$$

$$\$88 \times 12 = \$1,056$$

Medical Expense Deduction

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

- Credit cards payments?

Exercise

- Ursula and Sebastian Grant did not have insurance to cover Sebastian's operation four years ago. They have been paying \$105 a month toward the \$5,040 debt. Each year the \$105 a month has been included in their total medical expenses. A review of their file indicates that a total of \$5,040 has been added to total medical expenses over the four-year period. However, the Grants bring a current invoice to their 2-1-12 annual recertification interview. Over the four-year period they missed five payments and still owe \$525. Calculate the medical expense for the 2-1-12 AR.

Exercise

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What are Medical Expenses?

Services of recognized medical professionals

- Physicians
- Nurses
- Dentists
- Opticians

What are Medical Expenses?

Services of recognized medical professionals

- Mental health practitioners
- Osteopaths and chiropractors
- Christian Science practitioners and acupuncture practitioners

What are Medical Expenses?

Services of health care facilities

- Laboratory fees
- X-rays and diagnostic tests
- Blood
- Oxygen



What are Medical Expenses?

Services of health care facilities

- Hospitals
- Health maintenance organizations (HMO's)
- Laser eye surgery
- Out-patient medical facilities and clinics



What are Medical Expenses?

Alcoholism and drug addiction treatment

Medical insurance premiums

- HMO
- Medicaid insurance payments

What are Medical Expenses?

Medical insurance premiums

- Long-term care premiums
 - Family must sign certification
 - Insurance is guaranteed renewable
 - Does not provide cash surrender value
 - Will not cover expenses covered under Medicare
 - Restricts the use of refunds

What are Medical Expenses?

Prescription and nonprescription medicines

- Aspirin and antihistamine only if prescribed by physician for particular medical condition



What are Medical Expenses?

Transportation to/from treatment and lodging

- Actual cost (e.g., bus fare)
- If driving in a car, mileage rate based on IRS rules
 - Current rate – 20 cents per mile



What are Medical Expenses?

Medical care of permanently institutionalized family member IF their income is included

Dental treatment

- Fees paid to dentist
- X-rays
- Fillings
- Braces
- Extractions
- Dentures

Eyeglasses, contact lenses

What are Medical Expenses?

Hearing aid and batteries

Wheelchair

Walker

Artificial limbs

Braille books and magazines

Oxygen and oxygen equipment

- Purchase and upkeep (e.g., additional utility costs to tenant for oxygen machine)

What are Medical Expenses?

Attendant care or periodic medical care

- Nursing services
- Assistance animal and its upkeep



What are NOT Medical Expenses?

Cosmetic surgery

- Medical complications, e.g., infections, etc., occur as result of procedure and requires medical treatment, medical treatment expenses would be treated as medical expense
- May be deducted if necessary to improve deformity arising from, or directly related to, congenital abnormality, personal injury resulting from accident or trauma, or disfiguring disease



What are NOT Medical Expenses?

Health club dues

- Do not include cost of membership in any club organized for business, pleasure, recreation, or other social purpose, such as health club dues, YMCA dues, or amounts paid for steam baths for general health or to relieve physical or mental discomfort not related to a particular medical condition

What are NOT Medical Expenses?

Household help

- Do not include cost of household help, even if such help is recommended by doctor
- Expenses paid to person providing nursing-type services may be deductible

Medical savings account (MSA)

- Do not deduct amounts contributed to an Archer SA

What are NOT Medical Expenses?

- Nutritional supplements, vitamins, herbal supplements, natural medicines
 - Do not include cost of nutritional supplements, vitamins, herbal supplements, vitamins, herbal supplements, natural medicines, etc., unless recommended in writing by medical practitioner licensed in the locality where practicing. Must be recommended as treatment for specific medical condition diagnosed by physician or other health care provider licensed to make diagnosis in locality where practicing
 - Items taken to maintain ordinary good health are not medical expenses

What are NOT Medical Expenses?

- Personal use items
 - Do not include item ordinarily used for personal, living, or family purposes unless it is used primarily to prevent or alleviate physical or mental defect or illness. For example, cost of wig purchased upon advice of physician for mental health of patient who has lost all of his or her hair from disease, or incontinence supplies can be included



Life Line and Cell Phone

If the Doctor recommends the Life Line or a Cell Phone, can the costs of these be used as a medical expense?

What about special shoes, etc.?

Everyone needs shoes

What are NOT Medical Expenses?

Nonprescription medicines

- Do not include nonprescription medicines unless recommended in writing by medical practitioner licensed in locality where practicing. Must be recommended as treatment for specific medical condition diagnosed by physician or other health care provider licensed to make diagnosis in locality where practicing.

Special diets

What about organic foods or gluten free foods

There is a difference between foods and supplements



Use of Medical Marijuana



in HUD properties

Verifying Medical Expenses

Third Party Written

- Verification by doctor, hospital or clinic, dentist, pharmacist, etc., of estimated medical costs to be incurred or regular payments expected to be made on outstanding bills

Third Party Oral

- Telephone or in-person contact with these sources, documented in file

Verifying Medical Expenses

Review of documents provided by applicant

- Copies of cancelled checks that verify payments on outstanding medical bills that will continue for all or part of next 12 months
- Copies of income tax forms (Schedule A, IRS Form 1040) that itemize medical expenses, when expenses are not expected to change over next 12 months

Verifying Medical Expenses

Review of documents provided by applicant

- Receipts, cancelled checks, pay stubs, which indicate health insurance premium costs, or payments to resident attendant
- Receipts or ticket stubs that verify transportation expenses directly related to medical expenses



Verifying Medical Expenses

Self-Declaration by applicant

- Notarized statement or signed affidavit of transportation expenses directly related to medical treatment
- If no other source of verification





Verifying Medical Expenses

Verification Tips

- Medical expenses not allowable unless applicant is an elderly/disabled family. Must verify status.

THANK
YOU FOR
YOUR
ATTENTION

THANK
YOU