

### Exhibit 3-3 Policy Overview

Old Policy	New Policy
Introduction	Added information about granting medical expense deductions as part of the Bridge hardship process
3-3.5 Filing-PH and HCV	3-3.5.A
3-3.6 Filing-S8N	3-3.5.B

#### Forms

VF206 Medical/Disability Expense List

VF206Cert Medical/Disability Expense Certification

IRS-502 Medical and Dental Expenses

#### Administrative Desk Manual

Income and Rent Calculations

## **Exhibit 3-3**

### **Allowable Medical Expenses**

Medical expense deductions are available to Traditional Program families. AHFC will also use this exhibit as guidance when determining the eligibility of medical expense deductions claimed under the Bridge Hardship Process. As guidance, AHFC will use Internal Revenue Service (IRS) publication 502. Central Office will check for updates to this publication on an annual basis. An index is provided at the end of the publication that lists all types of expenses and their location in the publication.

The IRS defines medical expenses as:

Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease and the costs for treatments affecting any part or function of the body. These expenses include payments for legal medical services rendered by physicians, surgeons, dentists, and other medical practitioners. They include the costs of equipment, supplies, and diagnostic devices needed for these purposes.

Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They do not include expenses that are merely beneficial to general health, such as vitamins or a vacation.

Medical expenses include the premiums you pay for insurance that covers the expenses of medical care and the amounts you pay for transportation to get medical care. Medical expenses also include amounts paid for qualified long-term care services and limited amounts paid for any qualified long-term care insurance contract.

#### **3-3.1 ALLOWABLE MEDICAL DEDUCTIONS**

Allowable medical expenses are listed under the heading “What Medical Expenses Are Includible.” AHFC has also included a listing of allowable expenses that supplement or provide further clarification to that list.

### Allowable Expense Examples

1. Pink Star (07) undergoes surgery that removes a breast as part of treatment for cancer. She pays a surgeon to reconstruct the breast. The surgery to reconstruct the breast corrects a deformity directly related to the disease. The cost of the surgery is included in her medical expenses.
2. Thunder Gulch (95) has diabetes and uses a blood sugar test kit to monitor his blood sugar level. He can include the cost of the blood sugar test kit as a medical expense.
3. Alysheba (87) has been diagnosed as lactose intolerant.
  - a. Dairy milk is \$2.00 per quart.
  - b. Soy milk is \$5.00 per quart.
  - c. The deductible expense is  $\$5.00 - \$2.00 = \$3.00$  per quart.

#### 3-3.1.A Assistive Animal

The animal must be identified by a medical professional as needed by a household member with a disability. In order to qualify for deductions, the family must be classified as an elderly or disabled family. In general, expenses include any costs incurred in maintaining the health and vitality of the assistive animal so that it may perform its duties. Expenses can include the purchase price of a new animal, food, grooming, or veterinary care.

#### Example: Assistive Animal Expenses

1. Saunterer (age 12) is approved for an assistive animal in his public housing unit. Neither his mother nor his father is elderly or has a disability.

This family is not eligible to deduct the expenses associated with the assistive animal.
2. Jacobus (age 63) is approved for a dog to respond to his epileptic seizures and provide companionship. He goes to the animal shelter, purchases an animal, and buys the incidentals the dog will need (food, water dish, collar, leash, etc.).

Jacobus is eligible to include these expenses as part of his medical expenses.

#### 3-3.1.B Medicaid or Medicare Payments

If a family receives Adult Public Assistance, the SSI "buy in" is paid for by the State of Alaska. That amount is not included as income although it is paid on behalf of the family.

### **3-3.1.C Medicare Part D**

The Medicare Prescription Drug Plan-Part D began on January 1, 2006. Under this plan, beneficiaries with low incomes and limited assets may receive additional assistance to help pay for their prescription drug costs. This assistance is called "low-income subsidy," "limited income," or "extra help." This assistance must be excluded from annual income (Public and Indian Housing Notice 2005-37 dated 12/09/2005).

1. Under Medicare Part D, the family may only claim those expenses which are unreimbursed out-of-pocket expenses when detailing medical expenses.
2. The family may be required to pay a premium under this plan. The premium will be counted as a medical deduction.

Medicare beneficiaries receive statements about their prescription drug spending for months in which they spend. Families may provide the statements they receive as verification of their prescription drug spending.

### **3-3.1.D Medical Equipment**

The cost to buy or rent machines or other medical devices will be deducted as well as the excess cost of utilities to operate the equipment.

### **3-3.1.E Medical Services**

Include in medical expenses amounts paid for legal medical services provided by physicians, surgeons, specialists, or other medical practitioners.

### **3-3.1.F Personal Use Items**

Personal items to alleviate a medical condition, such as incontinence, are acceptable. If an item purchased in a special form is used to alleviate a medical condition, the excess cost of the special form over the cost of the normal item is considered a medical expense.

1. Toothpaste is \$2.00 per tube.
2. Special toothpaste prescribed by a dentist for sensitive teeth is \$5.00 per tube.
3. The deductible expense is  $\$5.00 - \$2.00 = \$3.00$  per tube.

### **3-3.1.G Rental Property Improvements**

If a person with a disability buys or installs special fixtures in a rental unit for medical or disability reasons, those expenses are counted as a medical expense if not reimbursed by the landlord or other party.

### 3-3.2 WHAT EXPENSES ARE NOT INCLUDED?

Do not include the cost of an item ordinarily used for personal, living, or family purposes for the general improvement or maintenance of ordinary good health. Staff will reference Internal Revenue Service publication 502 for a listing of disallowed medical expenses under the heading, "What Expenses Are Not Includible?"

### 3-3.3 GATHERING MEDICAL EXPENSES

Staff will use the *Medical/Disability Expense List* (form VF206) to gather handicap and medical expense information from families. **Staff will remind families that AHFC does not require personal or confidential information describing a health or medical condition.**

#### 3-3.3.A Acceptable Documentation Sources

Families must include at least three (3) months of receipts or documentation from an appropriate medical source to substantiate a recurring expense. The form of verification must be sufficient for staff to anticipate that year's medical expense. The documentation provided must be sufficient to determine if the expense is eligible and if the family is actually paying for the expense. Staff may request additional documentation if the family's initial documents are insufficient.

Families may submit the following types of documentation:

- Bills from a medical provider
- A list provided by a pharmacy of expenses for the last three months
- A billing statement from a medical or healthcare provider
- Medicare statements detailing prescription drug spending
- Monthly statements from a healthcare provider
- Credit card statements showing payments made to a healthcare provider
- If a family is claiming a medical expense that appears to be for general health, AHFC will need a copy of the prescription for that item

#### 3-3.3.B Pending Procedures

If a family reports a pending medical procedure, the family may provide an estimate or payment plan for the cost. Staff will not begin providing a deduction to the family until proof of the first payment is provided to AHFC. Staff will calculate the deduction based on when the first payment is made and the time remaining to the next annual examination.

### **Example: Pending Procedure Expense**

Prairie Bayou is a 67 year old tenant with an annual examination date of June 1. In October he reports that he will be getting a dental procedure in November and provides an estimate from his dentist of the cost.

1. Staff asks Prairie Bayou to return when he makes his first payment.
2. Prairie Bayou returns on November 20 with his receipt for his payment of \$200. His payment plan states he will pay \$200 per month.
3. Staff will calculate a total deduction of \$1,200 (\$200 beginning December 1 x 6 months).
4. At his annual appointment, staff will verify the balance left on Prairie Bayou's account to allow for any additional payments in the next period.

### **3-3.4 CALCULATING THE DEDUCTION**

Staff will use the *Medical/Disability Expense Certification* (form VF206Cert) to summarize the family's medical and handicap expense deduction. See the Administrative Desk Manual, Income and Rent Calculations, for examples of various medical expense calculations and how to calculate a deduction when a family has both handicap and medical expenses.

1. Staff will group the expenses into the categories shown on the form or enter a descriptive name for the expense. Staff is reminded not to use any terms that would describe or name a particular medical, disability, or health condition. This includes listing the name of the provider.
2. Under the Documentation Description column, staff will enter a brief description of the documentation type such as: pharmacy printout, payment plan, credit card statement, receipt, etc.
3. Staff will enter the total annual cost for that category in the Annual Cost column.
4. The form will subtotal and total all expenses entered.
5. Staff will sign and date the form.

### 3-3.5 FILING

Staff will make a copy of the *Certification* form and file the documentation as follows.

#### 3-3.5.A Public Housing and Housing Choice Voucher Files

This includes expenses for S8 Moderate Rehabilitation (Adelaide Building), Project-Based Voucher, specialty voucher (ECHP, NED, VASH), and HOME Tenant-Based Rental Assistance (TBRA) files.

1. The original *Certification* form will be placed in the file in the Income section under Allowance Verification.
2. A copy of the *Certification* form (if requested) and the supporting expense documentation will be returned to the client.

#### 3-3.5.B S8N Multifamily Files

1. The original *Certification* form will be placed in the file in the Income section under Allowance Verification.
2. The copy of the *Certification* form and the supporting expense documentation will go into a separate file. Any calculator tapes used to subtotal expenses will be filed with the expense documentation.
3. A copy of the *Certification* form will be provided to the client, if requested.
4. Staff may keep the medical expense copy either secured with the client file or secured in a separate location. Staff may:
  - Place the documentation in a labeled manila envelope.
  - Create a separate, labeled file.
5. Staff will keep the most current three years of medical expense documentation that matches the income examinations in the client file.
6. When the fourth year is completed, the oldest documentation must be disposed in a manner that protects the client's confidential information. Staff may return the documentation to the client or shred this documentation at the local office.