



CDSS

WILL LIGHTBOURNE
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES

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EDMUND G. BROWN JR.
GOVERNOR

REASON FOR THIS TRANSMITTAL

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

April 25, 2017

ALL COUNTY LETTER NO.17-35

TO: ALL COUNTY WELFARE DIRECTORS
ALL CALWORKS PROGRAM SPECIALISTS
ALL CALFRESH PROGRAM SPECIALISTS
ALL CONSORTIA REPRESENTATIVES
ALL QUALITY CONTROL PROGRAM COORDINATORS

SUBJECT: CALFRESH STANDARD MEDICAL DEDUCTION
DEMONSTRATION PROJECT FOR ELDERLY/DISABLED
HOUSEHOLDS

REFERENCES: [Food and Nutrition Act of 2008 Section 17\(b\)\(1\)\(A\), Section 5\(e\)\(5\); 7 CFR 271.2](#)

The purpose of this letter is to provide County Welfare Departments (CWDs) with policy guidance regarding the implementation of California's Standard Medical Deduction (SMD) Demonstration Project (the Project) for CalFresh. The California Department of Social Services (CDSS) has been authorized by the United States Department of Agriculture (USDA), Food and Nutrition Service (FNS), to operate the Project for the period beginning October 1, 2017, and ending September 30, 2021. Under the Project CDSS will establish a standard deduction of \$120.00 for households with an elderly and/or disabled member, with verified medical expenses between \$35.01 and \$155.00 per month, instead of requiring those households with an elderly or disabled member to verify actual medical expenses in excess of \$35.00 a month.

General Project Overview

Under the Project, CWDs will apply a \$120.00 SMD to CalFresh income for households in which an elderly or disabled member, as defined at 7 CFR 271.2, incurs medical expenses (excluding special diets) in excess of \$35.00 per month. Households with an elderly or disabled member include those with at least one individual who is 60 years of age or older and/or disabled and/or receives a disability-based benefit.

To be eligible for the SMD, households must verify that they incur more than \$35.00 a month in qualifying medical expenses. Households with more than \$155.00 a month in medical expenses may opt to document and claim all expenses.

As of October 1, 2017, all eligible households will have the SMD applied at the time of their initial application. All existing participating households will be converted to the SMD within three months of the effective start date (no later than December 31, 2017).

Participating households will remain eligible for the SMD at subsequent recertification if they declare that their medical expenses continue to exceed \$35.00 per month. Verification is not required for subsequent recertification unless the declaration is questionable. This also applies to all elderly and disabled households, including those with no earned income that are granted a 36-month certification period and that are not required to complete an interview at annual recertification, under the Elderly Simplified Application Project (ESAP).

No new reporting requirements for changes in medical expenses will be required. However, households may report new medical expenses mid-period that would make them eligible for the SMD or eligible to document and claim all medical expenses in excess of \$155.00.

Reference Table:

Verified Medical Expenses	Eligibility
Under \$35.00 a month	Not eligible for medical deduction
\$35.01 to \$155.00 a month	Eligible for the SMD (i.e. \$120.00)
\$155.01 a month and over	Eligible to deduct actual expenses over \$35.00 (i.e. \$120.00+)

Establishing the Medical Deduction

Existing policy allows only the actual amount of medical expenses in excess of \$35.00 to be deducted each month. Under the Project, households who verify medical expenses within the range of \$35.01 to \$155.00 a month may assume standard medical expenses of \$155.00 a month. Households with medical expenses above \$155.00 a month may claim and verify actual expenses. If a household claims medical expenses above \$155.00 a month but does not provide verification of expenses above \$155.00 per month that household may receive the SMD based on verified expenses between \$35.00 to \$155.00.

Households should be informed at application and recertification about the medical deduction and how to claim the SMD or verify medical expenses above \$155.00 per month.

Households eligible for the SMD under the Project must verify a minimum of \$35.01 a month in medical expenses to claim the SMD.

When standard medical expenses of \$155.00 a month are assumed, \$120.00 will be used as the SMD for the purposes of determining CalFresh eligibility and benefits. When actual medical expenses above \$155.00 are claimed and verified, the amount in excess of \$35.00 will be used as the deduction amount for the purpose of determining CalFresh eligibility and benefits.

If a household voluntarily reports an increase in medical expenses mid-period, the new deduction amount must be determined for the current and remaining months in the Semi Annual Reporting (SAR) period. If medical expenses between \$35.01 a month and \$155.00 a month are verified, the household is eligible for the SMD. If expenses in excess of \$155.00 are verified, the household may deduct actual medical expenses in excess of \$35.00. If the voluntary report results in increased benefits, a supplement shall be issued for the month in which the increased expense was reported, once verification has been submitted and benefits have been increased for the remaining months of the period. If verification is required and not submitted with the voluntary report, the county shall send a request for verification (i.e. CW 2200) and allow ten days for submission to the CWD.

Failure to verify medical expenses is not a basis for denying or discontinuing a case. The CWD is required to assist applicants and recipients in securing documents and should do so with permission from the household. SMD is a monthly deduction. Only verified monthly medical expenses or one-time expenses (that can be averaged over 12 months) totaling \$35.01 or more qualify an applicant or recipient for the SMD.

Qualifying Medical Expenses

The Project does not change the types of medical expenses that qualify for the deduction. A wide range of expenses that are not reimbursed or covered by health insurance count for the medical deduction. Medical expenses can only be claimed for a household member who is age 60 or older, or who is disabled or who is in receipt of a disability-based benefit. Countable expenses may include, but are not limited to:

- The cost of health insurance premiums
- Co-payments for appointments or prescriptions
- Acupuncture, chiropractic or herbal treatments
- Health care supplies and equipment, incontinence supplies
- Maintaining care attendants, home health aides, homemakers or child care services, necessary due to age, infirmity, or illness
- Over the counter drugs, ointments or other treatments that are recommended by a licensed health care practitioner (excludes nutritional drinks or other dietary supplements)
- Eyeglasses, contacts, lens solutions; hearing aids, batteries; dental care, dentures

- The costs of public or private car transportation to health care appointments and pharmacies – calculated by multiplying the number of round trip miles by the [federal mileage reimbursement rate](#) (current reimbursement rates can be found at www.irs.gov). The CWDs may use MapQuest or Google Maps to determine mileage between locations.
- Any paid or outstanding medical bills (for which there is no 3rd party reimbursement). A bill can be averaged over the remaining months in the CalFresh certification period or claimed in one month – whichever is better for the household.

Please note that per FNS guidance, a household may not utilize the medical deduction for the cost of any substance considered illegal under Federal Law, and this includes medical marijuana. Section 3(c)(3) of the Food and Nutrition Act (FNA) of 2008 defines "allowable medical expenses" to include "expenditures for prescription drugs when prescribed by a licensed practitioner authorized under State law." There is no provision in the Food and Nutrition Act that allows households to deduct the cost of substances considered illegal under Federal law, even when prescribed.

There are a wide range of documents a CalFresh applicant or recipient can submit as verification proving medical expenses. Please note that recipients may claim medical expenses at any time and do not have to wait until recertification.

Standard Utility Allowance (SUA) Offset

To ensure that Federal costs do not increase as a result of implementing the Project, the state will maintain cost neutrality for the duration of the Project. Effective October 1, 2017, CWDs will reduce the SUA by \$3.00 per month for all CalFresh households.

The CDSS will evaluate the SUA offset on an annual basis for the duration of the Project. An annual analysis will ensure that an appropriate amount is deducted from the SUA to maintain the Project's cost neutrality and minimize the impact on the general caseload. The annual SUA offset amount will be communicated to CWDs with the annual Cost of Living Adjustment increase.

Please note that the SMD amount (i.e. \$120.00) is not expected to change during the Project period, but may change in the future if California applies and is approved for a renewal of the SMD Demonstration Project.

Quality Control (QC) Impact

The FNS has determined that the Project does not significantly modify the rules for determining a households' eligibility or allotment level. Therefore, the results of reviews, in both the active and negative sample frame of households participating in the Project, shall be included in the State's error rate and shall be assigned a case classification code of "1" included in the error rate calculation in item #11 of the FNS-280-1 Quality

Control Review Schedule. Cases selected for review in the negative sample frame shall be assigned a case classification code of "1" included in the error rate calculation in Section II item #9 of the FNS-245, SNAP Case and Procedural Case Action Review Schedule (formerly the Negative Case Action Review Schedule).

QC procedures for households participating in the Project must be modified to require that the reviewer first determine if the household is correctly classified for participation under the rules of the Project. If the household is not correctly classified, eligibility and the amount of benefits will be reviewed against Supplemental Nutrition Assistance Program (SNAP) standards established in the Food and Nutrition Act and regulations, taking into account any FNS-approved waivers or State options to deviate from the specific provisions. If the household is correctly classified for participation in the Project, eligibility and the amount of benefits for the household will be reviewed against the rules of the Project.

In making the determination as to whether or not the household has been correctly classified, and in conducting reviews against the rules of the Project, QC must apply standard verification standards and procedures, as specified in the FNS QC310 Quality Control Review Handbook.

Reporting Requirements

Baseline Report

The CDSS is required to provide FNS, within three months of implementing the Project, baseline information regarding pre-Project household characteristics. The information to be included in the report for each of the three years prior to the Project (FY2014-FY2016) will consist of the total number of households in the CalFresh caseload with:

- An elderly/disabled member; and
- Medical expenses in excess of \$35.00.

The State Automated Welfare Systems (SAWS) will provide CDSS the necessary data through the existing SAWS Internal Request for Research and Analysis (SIRFRA) process.

Annual Report

The CDSS is required to submit, no later than three months after the end of each Project year, an annual report comparing initial caseload characteristics with the following summary data:

- The average caseload (number of households) during the reporting year.
- The average number of households with an elderly or disabled member during the reporting year.
- The average number of households with medical expenses greater than \$35.00 during the reporting year.

- The average number of households with medical expenses between \$35.00 and the SMD plus \$35.00 (i.e. \$155.00).
- The current SMD amount and current SUA offset.

Annual Reporting Schedule

Reporting Period	Report Due Date
October 1, 2017, to September 30, 2018	January 1, 2019
October 1, 2018, to September 30, 2019	January 1, 2020
October 1, 2019, to September 30, 2020	January 1, 2021
October 1, 2020, to September 30, 2021	January 1, 2022

The SAWS will provide CDSS the necessary data a minimum of one month in advance of the annual reporting due date through the existing SIRFRA process.

Cost Neutrality Report

The CDSS will conduct reviews of a random sample of 200 elderly/disabled cases with excess medical expenses, using actual data to calculate the difference between the CalFresh benefit the household would have received through a regular determination of the excess medical expenses and the benefit actually received using the SMD. The sample can be taken from any month or combination of months; however, the sample should be from a relatively short period of time (e.g. one to four months).

Cost neutrality reports are due on June 1, 2019, and June 1, 2021.

[This ACL and other CDSS Letters and Notices](http://www.cdss.ca.gov/inforesources/Letters-and-Notices) are available on the internet at:
<http://www.cdss.ca.gov/inforesources/Letters-and-Notices>

If you have any questions regarding this ACL, please contact the CalFresh Policy Bureau at (916) 654-1896.

Sincerely,

Original Document Signed By:

TODD R. BLAND
Deputy Director
Welfare to Work Division

Attachment

Food and
Nutrition
Service

Park Office
Center

3101 Park
Center Drive
Alexandria
VA 22302

MAR 09 2017

Kim McCoy Wade
Chief, CalFresh Branch
California Department of Social Services
744 P Street
Sacramento, California 95814

Dear Ms. McCoy Wade:

We are pleased to inform you that under the authority of Section 17(b)(1)(A) of the Food and Nutrition Act (the Act) of 2008, as amended, the Food and Nutrition Service (FNS) is approving the California Department of Social Services' (CDSS) request to waive section 5(e)(5) of the Act, which will allow the California Standard Medical Deduction Demonstration Project (the Project).

Section 5(e)(5) of the Act provides that the Supplemental Nutrition Assistance Program (SNAP) households containing an elderly or disabled member, which is defined in 7 CFR 271.2, are entitled to a deduction from household income for the actual unreimbursed costs of allowable medical expenses incurred by the elderly or disabled member that exceed \$35 a month. FNS is waiving section 5(e)(5) to permit CDSS to establish an assumed standard medical expense of \$155 a month to replace actual costs of medical expenses in excess of \$35 a month for households with elderly and disabled members. In the first year of the Project, CDSS will reduce its Standard Utility Allowance by \$3 to offset the increased cost of applying a \$120 standard medical deduction for households whose excess medical costs are not that high.

Enclosed are the terms and conditions for operating this Project. This Project is approved for a 4-year period, beginning October 1, 2017, and will expire September 30, 2021. Any requests for extension should be submitted 4 months in advance of the end of the Project period. In order to ensure that the Project is cost neutral, CDSS will be required to submit two cost neutrality reports during the Project period, the first of which is due by June 1, 2019. In addition, annual evaluation reports are due January 1 of each year. A full reporting schedule is included in the attached terms and conditions.

We request that CDSS submit, as quickly as possible, written acceptance of the waiver terms and conditions. Your written acceptance of these terms and conditions should be signed by the appropriate State official.

Ms. Kim McCoy Wade

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We look forward to working with CDSS on this Project. If you need further information, please contact Catherine Benvie at Catherine.Benvie@fns.usda.gov.

Sincerely,

Lizbeth Silbermann

Director

Program Development Division

Supplemental Nutrition Assistance Program

Enclosure

**WAIVER TERMS AND CONDITIONS
CALIFORNIA STANDARD MEDICAL DEDUCTION
DEMONSTRATION PROJECT**

GENERAL

- California (the State) is authorized to operate its Standard Medical Deduction Demonstration Project (the Project) Statewide for a period of 4 years from the effective project start date. The California Department of Social Services (CDSS) has indicated its intent to begin the Project on October 1, 2017. In its acceptance of the waiver terms and conditions, CDSS shall notify FNS if its intended start date has changed.
- The Food and Nutrition Service (FNS) reserves the right to withdraw its waiver approval and terminate the Project at any time during its operation if FNS determines that it is inconsistent with the Supplemental Nutrition Assistance Program (SNAP) goal of increasing the efficiency of the Program and improving the delivery of SNAP benefits to provide food assistance to raise levels of nutrition among low-income individuals.
- If Federal law regarding the excess medical deduction changes during the Project, the change(s) will be reflected via revisions to these terms and conditions.
- CDSS will establish a \$120 standard medical deduction from SNAP income for households in which an elderly or disabled member, as defined in &CFR 271.2, incurs medical expenses (excluding special diets) in excess of \$35 a month.
- To be eligible for the standard medical deduction, households must verify that they incur more than \$35 a month in qualifying medical expenses.
- Households with medical expenses over \$155 a month may opt to document and claim all medical expenses.
- All eligible households will have the \$120 standard medical deduction applied at initial application. All eligible participating households will be converted to the standard medical deduction within 3 months of the effective start date.
- Participating households will remain eligible for the standard medical deduction at subsequent recertification if they declare that their medical expenses continue to exceed \$35 a month. Verification is not required for subsequent recertification unless the declaration is questionable.
- No new reporting requirements for changes in medical expenses will be required. However, households may report new medical expenses that would make them eligible for the standard medical deduction.

COST NEUTRALITY

- To ensure that Federal costs do not increase as a result of implementing the approved waiver, the State guarantees that it will maintain cost neutrality for the duration of the Project.
- Effective October 1, 2017, the State will reduce its Standard Utility Allowance (SUA) by \$3 per month for all households to offset the increased costs of applying the \$120 standard medical deduction for participating households whose excess medical costs are not that high. Based on current estimates, which take caseload projections and other factors into account, the State plans to reduce the SUA on an annual basis for the duration of the project according to the following schedule:
 - o October 1, 2018: \$6
 - o October 1, 2019: \$8
 - o October 1, 2020: \$8
- The State will submit two cost neutrality reports throughout the duration of the Project. FNS will conduct an analysis of these reports and will work with the State to ensure an appropriate amount is deducted from the SUA to maintain the Project's cost neutrality.

EVALUATION

- **Effect on Caseload:** To calculate changes in the percentage of households with excess medical expenses over time, the State will provide FNS a report with the household characteristics requested below. This report must be submitted to FNS within 3 months of implementing the Project. The information to be included in this report, for each of the 3 years prior to the Project (FY2013-FY2016), will consist of the total number of households in its caseload with:
 - o Elderly/disabled members; and
 - o Medical expenses in excess of \$35
- **Annual Report:** No later than 3 months after the end of each project year, COSS will provide FNS with an annual report using the FNS "EXCEL" annual reporting template data file to compare the initial caseload report information with the following summary data:
 - o The average caseload (number of households) during reporting year;
 - o The average number of households with an elderly or disabled member during reporting year;
 - o The average number of households with medical expense greater than \$35 during reporting year;
 - o The average number of households with gross medical expenses between \$35 and the SMD amount plus \$35; and
 - o The current SMD amount and current SUA offset

Annual Reporting Schedule

Reporting Period	Report Due Date
October 1, 2017 through September 30, 2018	January 1, 2019
October 1, 2018 through September 30, 2019	January 1, 2020
October 1, 2019 through September 30, 2020	January 1, 2021
October 1, 2020 through September 30, 2021	January 1, 2022

- **Cost Neutrality Report:** CDSS will conduct reviews of a random sample of 200 elderly/disabled cases with excess medical expenses, using actual data to calculate the difference between the SNAP benefit the household would have received through a regular determination of the excess medical expenses and the benefit actually received using the standard medical deduction. The sample can be from any month or combinations of months; however the sample should be from a relatively short period of time (1 to 4 months).

The State will use the FNS "EXCEL" cost neutrality reporting template data file to provide the following information for each case:

- Actual medical expense (please clarify if the \$35 minimum is included or if it has already been subtracted by the State system); and
- The amount of the medical deduction received in the sample month. Unless the household claimed actual expenses, this should be the SMD amount.
- The cost neutrality report should also include the following summary data:
 - o The average caseload (number of households) during sample months;
 - o The average number of households with an elderly or disabled member during sample months;
 - o The average number of households with medical expense greater than \$35 during sample months;
 - o The average number of households with gross medical expenses between \$35 and the SMD amount plus \$35; and
 - o The current SMD amount and current SUA offset

Cost Neutrality Report Due Dates:

June 1, 2019

June 1, 2021

QUALITY CONTROL (QC)

QC review of demonstration project cases is governed by 7 CFR 275.11(g), which provides that the results of the review of households correctly classified for participation in a demonstration project "which FNS determines to significantly modify the rules for determining households' eligibility or allotment level" shall be excluded from the determination of the State's error rate. FNS has determined that the California Standard Medical Deduction demonstration project does not significantly modify the rules for determining households' eligibility or allotment level. Therefore, the results of the reviews, in both the active and negative sample frames, of households participating in this project shall be included in the State agency's error rate, and shall be assigned a case classification code of "1" (included in the error rate calculation in item #11 of the FNS-380-1, Quality Control Review Schedule. Cases selected for review in the negative sample frame shall be assigned a case classification code of "1" (included in the error rate calculation) in Section II, item #9 of the FNS-245, SNAP Case and Procedural Case Action Review Schedule (formerly the Negative Case Action Review Schedule).

QC procedures for households participating in the California Standard Medical Deduction demonstration project must be modified to require that the reviewer first determine if the household is correctly classified for participation under the rules of the project (i.e. is eligible to participate in the project under the FNS-approved terms and conditions). If the household is not correctly classified for participation, eligibility and the amount of the benefits will be reviewed against SNAP standards established in the Food and Nutrition Act and regulations, taking into account any FNS-approved waivers (other than those approved for this demonstration project) or State options to deviate from specific provisions. If the household is correctly classified for participation in the project, eligibility and the amount of benefits for participating households will be reviewed against the rules of the demonstration project.

In making the determination of whether the household has been correctly classified for participation under the rules of the project, and in conducting reviews against the rules of the project, QC must apply standard verification standards and procedures as specified in the FNS-310, Quality Control Review Handbook. Without independent verification of all relevant circumstances for the period of time under review, QC would be unable to determine the household's eligibility to participate in the demonstration project, or the correctness of the authorized allotment.

REQUEST FOR EXTENSION: If COSS wishes to continue the Project, a request for extension should be submitted 4 months in advance of the end of the project period (June 1, 2021) and it should be signed by the appropriate State official. If requesting to renew the project, please submit your final cost neutrality report along with the renewal request. If not requesting an extension, COSS should submit its final report to FNS by January 1, 2022.

*****Please note:** When submitting reports to FNS, **DO NOT** include client's Personally Identifiable Information.