

September 30, 2021

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

EXECUTIVE SUMMARY

ALL COUNTY LETTER NO. 21-117

The purpose of this letter is to provide County Welfare Departments with guidance regarding the extension of California's Standard Medical Deduction Demonstration Project.



KIM JOHNSON
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



GAVIN NEWSOM
GOVERNOR

September 30, 2021

ALL COUNTY LETTER NO. 21-117

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 EXTENSION APPROVAL FOR
ELDERLY/DISABLED HOUSEHOLDS

REFERENCE: [Food and Nutrition Act of 2008 Section 17\(b\)\(1\)\(A\), Section 5\(e\)\(5\);](#)
[7 CFR 271.2; 7 CFR 273.2\(f\)\(1\)\(iv\); ACL 17-35](#)

The purpose of this All County Letter (ACL) is to provide County Welfare Departments (CWDs) with policy guidance regarding the implementation of California's Standard Medical Deduction (SMD) Demonstration 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 continue operating the SMD Demonstration Project for the period beginning October 1, 2021 and ending September 30, 2025.

Background

CDSS was originally authorized by FNS to operate the SMD Demonstration Project for the period beginning October 1, 2017 and ending September 30, 2021. Under the SMD Demonstration Project, CDSS established 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. The SMD was originally implemented via [ACL 17-35](#) released on April 25, 2017. The waiver renewal authorizes CDSS to continue operating the SMD Demonstration Project until September 30, 2025. If CDSS wishes to renew the waiver beyond this time period, it must request an extension from FNS by May 31, 2025.

General Project Overview

The operations of the SMD Demonstration Project have not changed under the waiver renewal. CWDs will apply a SMD of \$120.00 for households in which an elderly or disabled member incurs medical expenses (excluding special diets) in excess of \$35.00 per month. As defined at [7 Code of Federal Regulations \(CFR\) 271.2](#), 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.

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.

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
\$35.00 or less 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

Prior to the implementation of the SMD Demonstration Project, CalFresh policy allowed only the actual amount of medical expenses in excess of \$35.00 to be deducted each month. Under the SMD Demonstration 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 \$35.01 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 SMD Demonstration 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 must 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 must 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. If a household does not verify medical expenses, then it will not receive the deduction. 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 SMD Demonstration 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 childcare 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 implementation, the state will maintain cost neutrality for the duration of the SMD Demonstration Project. Effective October 1, 2021, CDSS will reduce the SUA by \$3.00 per month for all CalFresh households.

The CDSS will evaluate the SUA offset every other year for the duration of the SMD Demonstration Project. This analysis, undertaken as part of the Cost Neutrality Report, will ensure that an appropriate amount is deducted from the SUA to maintain 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) may change during the SMD Demonstration Project period. Under the terms of the waiver, CDSS has the authority to change the SMD amount, if it can ensure that federal costs do not increase. If CDSS opts to alter the SMD amount, new guidance will be issued at that time. Otherwise, the SMD amount will remain at \$120.00.

Innovation

As part of the approval process to renew the waiver, FNS requested that CDSS create an innovation to improve the SMD Demonstration Project. In order to increase uptake of the SMD, the state will be implementing a new BenefitsCal online application portal that adapts the application process to the information provided by the applicant. This application portal is anticipated to launch in Fall 2021 in some counties. Households with at least one elderly or disabled member will be asked about medical expenses and will be given the opportunity to provide information on the type and amount of those expenses. Because the online application adapts to the information provided by a household, households that are not eligible for the SMD will bypass this portion of the online application. Meanwhile, households that are potentially eligible for the SMD will be given the opportunity to participate and receive increased benefits. The BenefitsCal online application portal displays prominent medical expense related questions, includes client friendly explanations of “out-of-pocket medical expenses”, and walks the applicant through each step such as expense type, amount, and frequency.

Quality Control (QC) Impact

The FNS has determined that the SMD Demonstration Project does not significantly modify the rules for determining a household’s 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 SMD Demonstration Project must be modified to require that the reviewer first determine if a household is correctly classified for participation under the rules of the SMD Demonstration Project. If a 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 a household is correctly classified for participation in the Project, eligibility and the amount of benefits for that household will be reviewed against the rules of the SMD Demonstration Project.

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

Reporting Requirements

Annual Report

The CDSS is required to submit, no later than three months after the end of each year, an annual report comparing initial caseload characteristics (gathered for the baseline report conducted upon initial implementation of the SMD Demonstration Project) with the following summary data:

- The sample months and year.
- The average monthly 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 that receive the SMD each year.
- The current SMD amount and current SUA offset.

Annual Reporting/Innovation Evaluation Schedule

Reporting Period	Report Due Date
October 1, 2021, to September 30, 2022	January 1, 2023
October 1, 2022, to September 30, 2023	January 1, 2024
October 1, 2023, to September 30, 2024	January 1, 2025
October 1, 2024, to September 30, 2025	January 1, 2026

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 January 1, 2023, and January 1, 2025.

Innovation Evaluation

In addition to the Annual Report, CDSS will provide FNS with a yearly innovation evaluation. The state will report the following information:

1. Number of households that applied through the updated online application portal annually
2. Number of households that applied through the updated online application portal and qualified for and received the SMD annually
3. Uptake rate of the SMD annually

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.

If you have any questions or need additional guidance regarding the information in this letter, contact the CalFresh Policy Bureau at CalFreshPolicy@dss.ca.gov.

Sincerely,

Original Document Signed By

KATHY YANG, Acting Chief
CalFresh and Nutrition Branch
Family Engagement and Empowerment Division

Attachment



Food and Nutrition
Service

August 26, 2021

1320 Braddock Place
Alexandria, VA
22314

Ms. Kathy Yang
Acting Chief
CalFresh and Nutrition Branch
Department of Social Services
744 P Street
Sacramento, California 95814

Dear Ms. Yang:

This letter is in response to the May 20, 2021, request from the California Department of Social Services (the State) to extend the California Standard Medical Deduction demonstration project (the Project) in the Supplemental Nutrition Assistance Program (SNAP). Under the authority granted by section 17(b)(1)(A) of the Food and Nutrition Act of 2008, as amended (the Act), the Food and Nutrition Service (FNS) is pleased to approve your request subject to the enclosed waivers through September 30, 2025.

Section 5(e)(5)(A) of the Act provides that SNAP households containing an elderly or disabled member are entitled to a deduction from household income for actual costs of allowable medical expenses incurred by elderly or disabled household members that exceed \$35 a month. FNS is waiving section 5(e)(5)(A) of the Act and 7 CFR 273.9(d)(3) to permit the State to use a standard medical deduction (SMD) of \$120 a month for elderly or disabled household members with medical expenses in excess of \$35 a month (excluding special diets). FNS is also waiving the provisions at 7 CFR 273.14(b)(4) and 273.2(f)(8)(i) to allow elderly or disabled household members to self-attest to medical expenses they incur in excess of \$35 (meaning, expenses of \$35.01 or greater) at recertification in order to continue receiving the SMD and to require verification only if questionable.

FNS is currently undertaking an in-depth review of demonstration projects to ensure that all projects test novel ideas or promising approaches and incorporate robust evaluations. As indicated in FNS' September 13, 2018, "Innovation and Evaluation in SNAP Demonstration Projects" [memo](#), all currently approved demonstration projects must incorporate innovative approaches that further the goals of improving program administration and efficiency. In keeping with these new requirements, the State will implement an enhanced BenefitsCal online application portal that adapts the application process based on the information provided by the client. Households with at least one elderly or disabled member will be able to provide information on the type and amount of medical expenses. This innovation will be implemented starting on September 27, 2021.

Kathy Yang
Page 2

The State will reduce the value of the Heating and Cooling Standard Utility Allowance (HCSUA) by \$3, starting October 1, 2021, to offset the cost of this project based on the cost neutrality report submitted to FNS on May 20, 2021.

FNS is approving the Project for a four-year period, beginning October 1, 2021, and expiring September 30, 2025, under the enclosed terms and conditions. To ensure the project remains cost neutral, the State is required to submit annual reports and innovation evaluations as well as two cost neutrality reports during the approval period. FNS is providing templates for all annual and cost neutrality reports through the Waiver Information Management System (WIMS) library. The library also has technical assistance, such as a recording of a webinar that FNS recently hosted to explain cost neutrality requirements for SMDs and how to ensure your State is providing adequate reports. Please refer to the WIMS User Manual for assistance in locating the libraries and templates. A full reporting schedule is included in the attached terms and conditions. Should the State wish to extend this project, the agency should submit an extension request by May 31, 2025, at least four months in advance of the end of the approval period.

We are requesting that your agency submit as quickly as possible, written acceptance of the approval. Your written acceptance of these terms and conditions should be signed by the appropriate State official. This acceptance letter should be attached to a chatter post in WIMS case #2012. Please also tag the relevant Regional and National staff listed in the WIMS case team using the @ sign when uploading this document so that FNS is alerted.

FNS looks forward to working with the State on this project.

Sincerely,


Sasha Gersten-Paal

Director
Program Development Division
Supplemental Nutrition Assistance Program

Enclosure

Kathy Yang
Page 3

cc: Sasha Gersten-Paal, Program Development Division
Jessica Luna, Program Design Branch
Hallie Nelson, Program Design Branch
Andrew Burns, Office of Policy Support
Barbara Murphy, Office of Policy Support
Jacqueline Bourne, WRO
Barbara Smith, WRO
Jodi Gonzalez, WRO
Pandora Lewis, WRO
Kathy Yang, California
Yazmin Saenz, California
Amber Bonilla, California

WAIVERS AND CONDITIONS
CALIFORNIA STANDARD MEDICAL DEDUCTION
DEMONSTRATION PROJECT

The Standard Medical Deduction Project (the Project) waivers are approved in accordance with the requirements to operate demonstration projects under Section 17(b) of the Food and Nutrition Act of 2008, as amended (the Act). The waivers described below only apply to the elderly or disabled Supplemental Nutrition Assistance Program (SNAP) applicants in California who incur out-of-pocket medical expenses (excluding special diets) in excess of \$35 a month.

APPROVED WAIVERS

Statutory Waivers

Section 5(e)(5)(A) of the Act establishes the excess medical deduction that allows elderly or disabled SNAP participants to deduct the portion of their actual medical expenses, excluding special diets, that exceeds \$35 for the purpose of determining eligibility and benefit amounts. The Food and Nutrition Service (FNS) is waiving section 5(e)(5)(A) of the Act to allow the California Department of Social Services (the State) to establish a standard medical deduction (SMD) amount to replace the actual costs of medical expenses in excess of \$35 (excluding special diets) incurred by elderly or disabled SNAP applicants.

Regulatory Waivers

7 CFR 273.9(d)(3) allows elderly or disabled SNAP participants to deduct the portion of their medical expenses incurred, excluding special diets, in excess of \$35 for the purpose of determining eligibility and benefit amounts.

FNS is waiving 7 CFR 273.9(d)(3) to allow the State to establish a SMD amount to replace the actual costs of incurred medical expenses in excess of \$35 (excluding special diets) for elderly or disabled SNAP applicants.

7 CFR 273.14(b)(4) requires the State agency to verify information provided by the household at recertification in accordance with 7 CFR 273.2(f)(8)(i).

7 CFR 273.2(f)(8)(i) requires the State agency to verify at recertification previously unreported medical expenses and total recurring medical expenses claimed by households which are changed by \$25.01 or more. It also requires the State agency to verify at recertification total medical expenses that have changed by \$25 or less if the information is incomplete, inconsistent, inaccurate, or outdated.

FNS is waiving the provisions at 7 CFR 273.14(b)(4) and 273.2(f)(8)(i) to allow the elderly or disabled to self-attest to incurred medical expenses in excess of \$35 at recertification in order to continue receiving the SMD and to require verification only if questionable. This waiver only applies to households participating in the Project and only applies to verifications for medical expenses in excess of \$35 for these households. For all other verifications at recertification the State agency must follow the procedures outlined in 7 CFR 273.2(f)(8)(i).

**WAIVERS AND CONDITIONS
CALIFORNIA STANDARD MEDICAL DEDUCTION
DEMONSTRATION PROJECT**

GENERAL

- The State is authorized to operate its Standard Medical Deduction Demonstration Project (the Project) for a period of four years, effective October 1, 2021, through September 30, 2025.
- FNS reserves the right to withdraw this waiver approval and terminate the Project at any time during its operation if FNS determines that it is inconsistent with the goal of increasing the efficiency of SNAP and improving the delivery of SNAP benefits to provide food assistance to improve nutrition among low-income individuals.
- If any Federal laws regarding this Project change during the approved period, the State will submit a modification request to FNS to ensure the Project's terms and conditions reflect current Federal law. FNS will review and approve the modification in accordance with section 17(b)(1)(D) of the Act.
- The State will establish a standard medical expense of \$155 a month to replace the actual, allowable costs of out-of-pocket medical expenses in excess of \$35 (excluding special diets) per month incurred by elderly or disabled SNAP applicants or participants, as defined in 7 CFR 271.2. All eligible participating households will have the standard medical deduction (SMD) of \$120 (standard medical expense minus \$35) applied at initial application (or at recertification if they did not previously qualify for the SMD).
- Households with medical expenses over the standard medical expense of \$155 a month may opt out of the Project and follow normal SNAP rules.
- To be eligible for the SMD, households must verify that an elderly or disabled household member incurs more than \$35 a month in qualifying medical expenses in accordance with the regulations in 7 CFR 273.2(f)(1)(iv). Households must provide verification of allowable medical expenses in excess of \$35 at initial certification.
- The State will reduce the Heating or Cooling Standard Utility Allowance (HCSUA) by \$3, starting on October 1, 2021, to offset the increased cost of applying a SMD for eligible households whose excess medical costs are less than the approved standard. As a reminder, adjustments to these offsets are only to be completed via submission of a cost neutrality report to FNS, and should not be adjusted as part of the annual HCSUA update and approval process.
- Participating households will remain eligible for the SMD at subsequent recertification if they declare that their allowable medical expenses incurred by an elderly or disabled household member continue to exceed \$35 a month. Verification for medical expenses is not required for subsequent recertification unless the declaration is questionable.

**WAIVERS AND CONDITIONS
CALIFORNIA STANDARD MEDICAL DEDUCTION
DEMONSTRATION PROJECT**

- During the interview process, the State will provide households with information about the Project.
- The Project does not modify reporting requirements for medical expenses. Project participants are subject to regular SNAP reporting requirements and the State must act in accordance with the regulations at 7 CFR 273.12(c).
- The State will explain to normal SNAP households that they may qualify for the SMD during their certification period by reporting and verifying new medical expenses in excess of \$35.
- All currently approved demonstration projects must incorporate innovative approaches that further the goals of improving program administration and efficiency. The State will implement an enhanced BenefitsCal online application portal which allows potentially SMD-eligible households (those with at least one elderly or disabled member) to provide information on medical expenses. The current online portal already asks about medical expenses. The enhanced portal will allow the client to identify specific household members as elderly or disabled, input information on their out-of-pocket medical expenses, including the expense type, amount, and frequency, and upload verification documents. The portal will also provide client-friendly explanations of out-of-pocket medical expenses and ask if the expense is reimbursed. Households that are not SMD-eligible bypass this portion of the online application. A caseworker will be responsible for verifying any reported expenses and determining eligibility. This innovation will be implemented starting on September 27, 2021 in 40 counties. The innovation will be implemented in the remaining 18 counties in waves from October 2022 through October 2023.

EVALUATIONS

The State is required to submit Annual, Cost Neutrality, and Innovation Evaluation Reports regularly throughout the approval period. Annual Reports and Innovation Evaluations are due each year; Cost Neutrality reports are required every other year. Below is the comprehensive reporting schedule.

California Standard Medical Deduction Reporting Schedule		
Report Type	Reporting Period	Report Due Date
Cost Neutrality Report with Annual Report and Innovation Evaluation	October 1, 2021 – September 30, 2022	January 1, 2023
Annual Report and Innovation Evaluation	October 1, 2022 – September 30, 2023	January 1, 2024
Cost Neutrality Report with Annual Report and Innovation Evaluation	October 1, 2023 – September 30, 2024	January 1, 2025

WAIVERS AND CONDITIONS
CALIFORNIA STANDARD MEDICAL DEDUCTION
DEMONSTRATION PROJECT

California Standard Medical Deduction Reporting Schedule		
Report Type	Reporting Period	Report Due Date
Renewal Request		May 31, 2025
Annual Report and Innovation Evaluation *	October 1, 2024 - September 30, 2025	January 1, 2026

*If the State extends the Project, these reports will be due during the new approval period. If the State discontinues the Project, these reports will accompany a Project close-out report. The details of this report are to be determined with FNS.

Annual Report: The State will provide FNS with an annual report on a yearly basis to allow FNS to monitor SMD trends, using the report template available in WIMS. The reporting periods are listed above. The State will report on the following information:

1. Sample Months: The sample month(s) and year.
2. Average Caseload: The average number of all households participating in SNAP per month for the sampling period. This should be an average, not an unduplicated count.
3. Average number of households with elderly or disabled: The average number of households containing an elderly or disabled member per month for the sampling period.
4. Average number of households with medical expenses greater than \$35: The average number of households with medical expenses greater than \$35 per month for the sampling period. This is the number of households eligible for a medical deduction.
5. Average number of households receiving the SMD: The average number of households that receive the SMD each year.
6. Current HCSUA Offset: The current HCSUA Offset amount.

Cost Neutrality Report: In addition to the Annual Report, the State will also submit cost neutrality reports every other year. 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. Using the Quality Control reviews or a similar process, the State will conduct reviews of a random sample of 200 cases with elderly or disabled household members with excess medical expenses, to ascertain the household's actual medical expenses each month. For each of the 200 households in this sample, the State should collect data on all of the household's eligible out-of-pocket medical expenses. However, the State should not ask for households outside of this sample to provide verification of expenses beyond the initial \$35 unless the household intends to qualify for a higher deduction than the Standard. The sample can

WAIVERS AND CONDITIONS
CALIFORNIA STANDARD MEDICAL DEDUCTION
DEMONSTRATION PROJECT

be from any month or combination of months; however the sample should be from the same Federal fiscal year.

The State will use the report template available in WIMS to provide the following information:

1. Proposed SMD and Offset Amounts: The proposed amount of the SMD and the proposed amount of the HCSUA offset (or other offset if applicable).
2. Case Number: The SNAP case number. This should not include any Personally Identifiable Information (PII), such as Social Security Number (SSN).
3. Actual Medical Expenses for Sample Month: The total actual medical expenses incurred by elderly or disabled household members for the sample month, including the first \$35.
4. Medical Deduction Received in Sample Month: The medical deduction received by the household in the sample month. This should be either the Standard Medical Deduction or a higher amount if the household claimed actual expenses.
5. SNAP Benefit Received in Sample Month: The SNAP benefit amount received by the household in the sample month.
6. SNAP Benefit under Regular SNAP Rules: The SNAP benefit the household would have received in the sample month under regular SNAP rules, if actual incurred medical expenses were used to calculate the excess medical expense deduction.
7. Annual Report: All data listed in the above Annual Report section.

Innovation Evaluation: In addition to the Annual Report, the State will provide FNS with an innovation evaluation yearly. The reporting periods used to provide the innovation evaluations are listed above. The State will use the “Innovation Evaluation” Excel file available in the WIMS report case to provide the following information to track the uptake rate of the SMD:

1. Number of households that applied through the updated online application portal annually
2. Number of households that applied through the updated online application portal and qualified for and received the SMD annually
3. Uptake rate of the SMD annually

Please note: When submitting reports to FNS, do not include clients’ Personally Identifiable Information. FNS reserves the right to add additional data fields in consultation with the State for reporting purposes.

WAIVERS AND CONDITIONS
CALIFORNIA STANDARD MEDICAL DEDUCTION
DEMONSTRATION PROJECT

QUALITY CONTROL

QC review of demonstration 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 “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 demonstration *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 demonstration 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) 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. 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, or the correctness of the authorized allotment.

REQUEST FOR EXTENSION

If the State wishes to continue the Project, a request for extension should be submitted at least four months in advance of the end of the project period (September 30, 2025) and it should be signed by the appropriate State official. If the State chooses not to request an extension, it should submit the Project close-out report, last Summary Data and Innovation Evaluation by January 1, 2026, and notify FNS by May 31, 2025, that the agency will not request an extension of the Project.