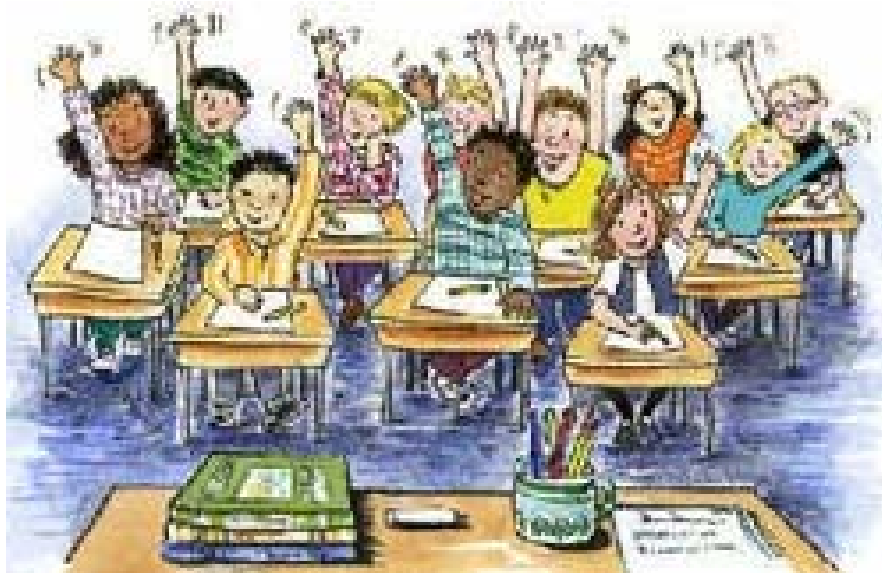




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EVERYTHING
YOU SHOULD KNOW
ABOUT MEDICAL
ALLOWANCES,
DEDUCTIONS AND
EXPENSES
but were afraid to ask!





Affordable Housing Management Association of Washington
A Chapter of AHMA Northwest
2006 ANNUAL MEETING AND CONFERENCE
"Cruisin' Your Way to Compliance - in Affordable Housing!"
Thursday-Friday, August 17-18, 2006
Kitsap Conference Center

MEDICAL EXPENSES

Owners must obtain an applicant/resident's *medical expenses* and provide deduction [24 CFR §5.611 (a)(3)], where applicable. The exclusion covers amounts received by the family that are specifically for, or reimbursements of, the cost of medical expenses of any family member. The deduction covers the sum of un-reimbursed medical expenses for any elderly or disabled family in excess of 3 percent of annual income [24 CFR §5.611 (a)(3)(i)] and the un-reimbursed reasonable attendant care and auxiliary apparatus expenses to the extent necessary to enable any member of the family to be employed, but not exceed earned income received because of the attendant care or apparatus [24 CFR §5.611 (a)(3)(ii)]. This impacts a significant number of elderly and persons with disabilities. Owners need to review all regulations regarding medical exclusions/deductions and determine if their intake and reexamination process is accurately requesting, tracking and verifying costs to fully provide these residents the required deduction.

[Tip: Educate residents regarding maintaining accurate and complete medical bills and receipts or use of pharmacy computerized systems to assist in documentation.]

**as noted in the PIH Notice 2001-15 (HA) Located in back of manual*

Medical expenses are a permitted allowance only for..... families whose Head, Co-Head, Spouse or Sole Member is 62 or older, handicapped or disabled.

(Note: Medical allowances (\$400.00) are allowed for the entire household when the Head, Co-Head or Spouse is 62 or older, handicapped or disabled.)

Medical expenses are defined as:

- Anticipated costs to be paid by the tenant in the 12 months following the effective date of recertification
AND
- Outstanding costs not paid or reimbursed by an insurance company, Medicare, government agency, etc.
AND
- Past one-time nonrecurring medical expenses that have been paid in full for current resident at interim or annual recertification

Medical costs are defined as those costs that are incurred in receiving treatment of a medical condition and/or are medically necessary to maintain a healthy status.

A deduction is allowed only for expenses paid for the prevention or alleviation of a physical or mental defect or illness. Medical care expenses include payments for the diagnosis, cure, mitigation, treatment, or prevention of disease, or treatment affecting any structure or function of the body. The cost of drugs is deductible only for drugs that require a prescription.

The most recent IRS publication for Medical and Dental Expenses will be used as a guideline to assist with determining permitted expenses. Your compliance department should make the final determination if a question arises. **IRS publication is location in the back of the manual.*

MEDICAL EXPENSES

Overview

- The medical expenses deduction is permitted only for elderly and disabled families.
- Elderly and disabled families are entitled to deduct from annual income un-reimbursed, anticipated medical expenses for any family member.
- The deduction is not limited to the medical expenses of the elderly/ disabled head, spouse, or co-head, but includes the medical expenses of all family members, regardless of whether they are elderly or disabled.
- A special calculation is required if a family is eligible for both a medical expense deduction and a disability assistance expense deduction.
- Disability assistance expenses are discussed in this policy, as well as the special calculation for both medical and disability assistance expenses deduction.

Calculating the Medical Expenses Deduction

(with no Disability Assistance Expenses)

- Eligible medical costs that exceed three (3) percent of annual income may be deducted from annual income.

Example:

\$11,450 Annual Income
X .03 multiplied by 3 percent
\$344 3 percent of Annual Income (rounded)
\$750 Total medical expenses
- 344 3 percent of Annual Income
\$406 Allowable medical expense deduction

Verification and Documentation Issues

- The specific types of documentation that should be sought should be listed in the Owner's policies.
- OWNERS policy should also offers guidance on verification of age and disability status, for purposes of qualifying for the medical expenses deduction.
- OWNERS policy should offers instructions and sample formats to use when verifying disability status.
- In addition, OWNER'S policies should offers guidance on information to request when verifying family type and medical expenses.
- OWNERS must ask enough questions to ensure that elderly and disabled households receive the proper medical expenses deduction, yet must not require that families provide confidential medical information.

Eligible Medical Expenses

- In general, medical expenses include all expenses the family anticipates it will incur during the 12 months following the certification or recertification.

- This could include periodic payments on outstanding medical bills, but only the portion that is anticipated to be paid in the coming 12-month period.

- Under some circumstances, this could also include one-time nonrecurring medical expenses that were incurred in the past and that have already been paid in full. Such costs could be costs incurred and paid since the last certification for current tenants.

- Some of the most common eligible expenses are:

- Services of doctors, other health care professionals and health care facilities

- Medical insurance premiums or costs of an HMO, including Medicare premiums; some long term care premiums (see discussion below)

- Prescription/ nonprescription medicines that have been prescribed by a medical practitioner

- Transportation to treatment

- Dental expenses, eyeglasses, hearing aids and batteries

- Live-in or periodic medical assistance such as nursing services, or costs for an assistance animal and its upkeep

- Medical care of a permanently institutionalized family member if his or her income is included in annual income

- IRS Publication 502 contains examples of eligible medical expenses and non eligible medical expenses.

(When it is unclear in the HUD rules as to whether or not to allow an item as a medical expense, IRS Publication 502 will be used as a guide.)

- Amounts that will be reimbursed from any source cannot be counted as medical expenses of the family.

Ineligible Medical Expenses

- The following costs are not considered eligible medical expenses:

- Unnecessary cosmetic surgery (however, cosmetic surgery that is related to the prevention or treatment of an illness, deformity, or injury is eligible)

- Memberships such as health clubs and services such as steam baths for general health not related to a particular medical condition

- Household help, even if recommended by a doctor (however, nursing type services and personal care services for qualified long-term care can be counted)

- Amounts contributed to Medical Savings Accounts (MSA)

- Nutritional supplements, unless they are recommended by a medical practitioner for a specific diagnosed medical condition

- Personal items (unless directly related to a defect or illness, e.g., a wig for a chemotherapy patient would be eligible)

- Non-prescription medicines unless they are prescribed by a physician for a particular condition

Anticipating Expenses

- While the calculation of the deduction is relatively simple, determining whether particular costs should be classified as medical expenses and anticipating future costs can be challenging.
- Like all other income and expense items included in rent calculations, OWNERS should attempt to anticipate what the family's medical expenses will be for the 12 month period following the certification effective date.

Ongoing Expenses

- **Past History:** Sometimes, in order to estimate these anticipated expenses, OWNERS may need to rely on past history – the ongoing expenses the family has already incurred and paid in the 12 months preceding the certification or recertification. However, OWNERS should consider whether:
 - The expenses will continue
 - The costs will inflate in the coming year
 - Whether the resources the family has to pay for the medical expenses has changed (e.g., different insurance coverage or other form of reimbursement)

Example 1

A family member has asthma and pharmacy records indicate the family fills three prescriptions each month and pays a \$15 co-pay for each prescription. The continuing need for the medicine seems clear. The cost of the medicine itself may or may not increase in the coming year. But the question in this case is whether the family's coverage has changed and will the family continue to pay the same \$15 co-pay in the coming year?

Example 2

A mother (age 32, disabled) of three small children reports that she made 15 visits to the pediatrician last year. Although it is unlikely that the children will have the same illnesses in the year to come, the total number of visits may provide a reasonable basis for projecting future visits.

New Expenses

- A family may wish to claim expenses that it anticipates will happen in the coming year, even if no such expense has been incurred in the past.

Example:

A family member has surgery already scheduled to take place three months after the recertification effective date.

Expected Payments on Outstanding Medical Bills

- If past one-time costs are being paid on an installment plan, the periodic payments scheduled for the coming year are counted as anticipated expenses.

As a Note: OWNERS emphasize that regular payments may count as a medical deduction only until the outstanding bill is fully paid. The debt may be fully paid sometime during the coming year, in which case the deduction would not be given for the entire year.

Example 1

The Davis family incurred a \$5,000 debt due to surgery 2 years ago. They have been regularly paying the debt off at \$100 per month over time. OWNERS would count \$1,200 as an anticipated medical expense ($\$100 \times 12$ months). If the family's payment history shows that actual payments have been inconsistent the owner must make a judgment call about how much to consider.

Example 2

Last year the Davis family made 3 of 12 payments. Depending on the family's explanation, OWNERS could consider only the 3-month amount or allow the entire amount. However, once the family has received a deduction for the full amount of a bill it is paying over time, the amount cannot be deducted again, even if it has not yet been paid.

Example 3

OWNERS has already credited a family with \$100/month for the past 36 months to repay a \$3,600 medical bill. The family reports at its annual recertification that there remains an outstanding balance on the bill of \$500. OWNERS would not count this \$500 as an anticipated medical expense for the coming year.

Fully Paid One-Time Costs

- Costs that have been paid in full may be included in the calculation of the medical expense deduction for the coming year, even though the expenses have already been paid (assuming that the costs have not already been used as a deduction in the prior year).

Example:

At the current recertification, the family reports that it incurred \$400 in expenses last year related to necessary dental surgery. Although the family does not anticipate more dental surgery this year, last year's costs can be included (assuming you did not already count these expenses in a prior certification or recertification).

- There are two options for addressing one-time medical expenses. A family has the option of requesting that these expenses be added to the family's total medical expenses either:

- At the time the expense actually occurs and is paid, by requesting an interim recertification, or
- At the upcoming annual recertification.

- Note that these options are mutually exclusive; a family must opt for one approach or the other. If a one-time expense is added at an interim recertification, it cannot also be added to medical expenses at the next annual recertification.

- Conducting an interim recertification will result in immediate relief for the family.
- Reporting the change at the next annual recertification may result in a rent reduction for more months.
- Waiting to report the change at the annual recertification will not be advantageous if the family's anticipated expenses for the following year are less than 3% of the family's annual income.

Addressing Other Changes in Medical Expenses

- Families that experience unexpected medical costs may request an interim recertification to change their payments for the current year. If a one-time expense is added at an interim reexamination, it cannot also be added to medical expenses at the next annual recertification.

Long Term Care Insurance

- Long-term care insurance provides benefits for extended illnesses and generally begins payments when medical insurance coverage is reduced or ends.
- Coverage. Depending upon the policy long term care insurance can be used to cover:
 - Nursing homes, rehabilitation centers and other long term care facilities
 - In-home care
 - Drugs and supplies
 - Hospice care
 - Respite care
- Some long term care policies pay dividends (money made on insurance company investment of the paid premiums).

Qualified Policies. HUD rules permit premiums for long term care policies to be considered medical expenses only for certain types of policies.

- The premiums may be considered a medical expense only if the policy meets all of the following criteria:

- (1) The insurance must be guaranteed renewable
- (2) The policy does not provide a cash surrender value that can be paid, assigned, pledged, or borrowed against
- (3) The insurance does not pay or reimburse expenses that would be covered by Medicare (except where Medicare is a "secondary player") OR the contract makes per diem or other periodic payments without regard to expenses

Example 1

- Some policies pay a flat daily rate for at-home nursing care whether the actual nursing care the family receives is more or less than that amount.

- (4) Any refunds or dividends paid must be used to reduce future premiums or increase future benefits (except in the case of death of the insured or surrender/cancellation of the contract).

Example 2

- John Q pays \$100/month for his long term care policy. The policy has generated a \$250 annual dividend.
- If the policy permits, and John elects, to actually receive a check for this annual dividend (\$250), the policy does not qualify and the premiums cannot be deducted as a medical expense.
- On the other hand, if the dividend can be used to pay some of John's premiums (in this case, John would not have to pay premiums for 2-1/2 months), the policy does qualify and the premiums may be deducted.

- In addition, if the \$250 were used to pay the annual premium for additional services (e.g., more frequent home visits), then the policy would also qualify and the premiums may be deducted.

DISABILITY ASSISTANCE EXPENSES

Overview

- Families may deduct from annual income certain un-reimbursed, anticipated costs for disability assistance expenses if the costs meet all of the following criteria:
 - Costs are reasonable
 - Costs enable a family member 18 or older to work
 - Costs do not exceed the amount earned by the family member(s) enabled to work
- The person who is enabled to work may be the person with disabilities.
- Eligibility for this deduction does not require that the head, spouse or co-head be an elderly person or person with disabilities.
- Unlike child care, this deduction is permitted only if it enables a family member to work (not seek work or further his/her education).

Calculating the Disability Assistance Expenses Deduction

- Eligible disability assistance expenses that exceed 3 percent of the family's annual income may be deducted if the amount does not exceed the earned income of the family member(s) enabled to work.
- If more than one person is enabled to work (e.g., the person with disabilities and another family member) the deduction cannot exceed their combined incomes.

Example 1:

John Z. has a disability. The family hires a care attendant to stay with him while his wife Patty goes to work. The costs for the care attendant are \$6,240. Patty earns \$5,824. John receives \$100/month for a disability payment.

Annual Income:

- $\$5,824 + \$1,200 (\$100 \times 12) = \$7,024$

3% of Annual Income:

- $\$7,024 \times .03 = \211

Expenses in excess of 3% of Annual Income:

- $\$6,240 (\text{Attendant Care}) - \$211 = \$6,029$

Eligible deduction:

- **\$5,824** (capped by Patty's earned income)

Example 2:

With the acquisition of a special computer (\$1,000 cost) John Z. is now able to work at home, but he still requires the assistance of the care attendant. His job pays \$6.00 an hour and he works about 12 hours/week.

- NOTE: A special calculation is required if a family is eligible for both a disability assistance and a medical deduction. These will be discussed further below in policy.

Total Earned Income:

\$5,824 Patty's income + \$3,744 John's income **\$9,568** Total Earned Income

Total Annual Income:

\$9,568 Total Earned Income + \$1,200 Disability benefits **\$10,768** Total Annual Income

Total Disability Assistance Expense: \$6,240 Attendant Care Cost + \$1,000 Auxiliary Apparatus **\$7,240**
Total Disability Assistance Expense

3% of Annual Income: $\$10,768 \times .03 = \mathbf{\$323}$

Total Disability Assistance Expenses in excess of 3% of Annual Income:

\$7,240 Total Disability Assistance Expense - \$323 3% of Annual Income **\$6,917** Total Disability Assistance Expense

Eligible Deduction: **\$6,917** (is less than total earned income \$9,568)

Types and Timing of Disability Assistance Expenses

• Disability assistance expenses may include:

- Costs for the care of a person with disabilities
- Auxiliary apparatus used by or for a person with disabilities

• OWNERS may consider:

- Disability assistance expenses the family anticipates it will incur during the 12 months following the certification or recertification
- Periodic payments on outstanding bills for disability assistance (only the portion that is anticipated to be paid in the coming 12-month period)
- Past one-time nonrecurring disability assistance expenses that have been paid in full

• Amounts that will be reimbursed from any source are not counted.

Eligible Auxiliary Apparatus Expenses

• What is an "auxiliary apparatus?"

An auxiliary apparatus can be equipment, furniture, tools and other devices that assist a person with disabilities.

• Common auxiliary apparatus items include:

- Wheel chairs, ramps and their maintenance
- Purchase of or modifications to a vehicle (only the added cost for the items that make the vehicle accessible can be counted); maintenance of the vehicle modifications is eligible (but not maintenance of the vehicle itself)
- The cost of maintenance and upkeep of an auxiliary apparatus (e.g., a mobile oxygen tank or motorized cart)

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- The cost of service animals including acquisition, veterinary services, food and care the animal
- Special equipment to enable a sight-impaired person to read or type
- Special telephone equipment that permits a deaf or hearing impaired person to communicate.

- **Auxiliary apparatus must be related to work.**

- Auxiliary apparatus items can be considered as a disability assistance expense only if they are directly related to permitting a family member to work (including the disabled family member).

Example:

Eric (32 and disabled) lives alone. He uses a wheel chair and his only source of income is SSI. Although Eric is definitely a person with disabilities and needs the wheel chair, the cost of the wheel chair is not a disability assistance expense because Eric is not working. However, since Eric is the head of household, the wheel chair could be considered a medical expense.

- **Exclusive Use.** If the apparatus is not used exclusively by the person with a disability, OWNERS must prorate the cost.

Example

An adapted vehicle is used to transport a person with disabilities to work 3 days per week. At other times the van is used by other family members. Vehicle expenses must be prorated to reflect the eligible and not eligible uses.

Attendant Care Expenses

- Attendant care includes but is not limited to reasonable expenses for:
 - Home medical care and nursing services
 - Housekeeping and errand services for the person with a disability only, not other family members
 - Interpreters for hearing-impaired persons
 - Readers for persons with visual disabilities
- When the care provider also cares for other family members such as children, the costs must be prorated and an appropriate amount attributed to disability assistance expenses.
- If the family also claims child care expenses and the child care enables the same family members to work as does the care for the disabled person, the sum of child care and disability assistance cannot exceed the earned income of the person(s) enabled to work.

Example

A care attendant cares for Diane (age 32 and disabled spouse), Rachel (age 11), and Robbie (age 13) while Bart (head) works. The care attendant is paid \$250/week (\$13,000/year). Under this scenario:

- Rachel's care could be considered eligible child care expenses
- Diane's care could be considered eligible disability assistance expenses

- Robbie's care is not eligible as child care or disability assistance expense because he is age 13 and not disabled

Based upon the hours of care and the attendant's explanation of her charges, the \$13,000 would be pro-rated among the three (Diane, Rachel and Robbie). The total amount of care attributed to Diane and Rachel could not exceed Bart's earned income.

Anticipating and Verifying Disability Assistance Expenses

- Like all other income and expense items included in rent calculations, OWNERS should attempt to anticipate what the family's medical expenses will be for the 12 months beginning with the certification or recertification effective date.
- The verification and documentation process for disability assistance expenses are similar to that for medical expenses.

Ongoing Disability Assistance Expenses

- Anticipated amounts for many ongoing expenses can be based on previous history, but OWNERS should consider whether:
 - The expenses will continue
 - The costs will change (up or down) in the coming year
 - Whether the resources the family has to pay for the disability assistance expenses has changed (e.g., different insurance coverage or other form of reimbursement)

New Disability Assistance Expenses and Expected Payments on Outstanding Bills

- A family may report and claim expenses that it *anticipates* will happen in the coming year, even if no such expense has been incurred in the past.
- If past one-time costs are being paid on an installment plan, the periodic payments scheduled for the coming year are counted as anticipated expenses.
- If the family's payment history shows that actual payments have been inconsistent in the past, the owner must make a judgment call about how much of the payments to consider as expenses for the coming year.
- However, once the family has received a deduction for the full amount of a bill it is paying over time, the amount cannot be deducted again, even if it has not yet been paid.

Fully-Paid One-Time Costs

- Similar to medical expenses, costs that have been paid in full may be included in the calculation of the disability expense deduction for the coming year, even though the expenses have already been paid.

- There are two options for addressing one-time disability assistance expenses. A family has the option of requesting that these expenses be added to the family's total disability assistance expenses either:

- At the time the expense actually occurs and is paid, by requesting an interim recertification, or
- At the upcoming annual recertification.

- Note that these options are mutually exclusive; a family must opt for one approach or the other. If a one-time expense is added at an interim reexamination, it cannot also be added to disability assistance expenses at the next annual recertification.

The Relationship between Medical Expenses and Disability Assistance Expenses

- A family may be eligible for *both* the medical expense deduction *and* the disability assistance expense deduction.

In this situation, certain expenses may qualify as medical expenses, certain expenses may qualify as disability assistance expenses, and certain expenses may qualify as both medical and disability assistance.

- OWNERS must be able to differentiate between the two types of expenses and must be able to *classify* expenses as either medical or disability assistance or both.

- In some cases, it is easy to determine whether an expense should be classified as either a medical or a disability assistance expense.

- For example, emergency room services for a broken leg are clearly medical; a voice-activated computer program to allow a disabled person to work is clearly an auxiliary apparatus.

- In other cases, an item may legitimately be classified as *both* a medical *and* a disability assistance expense.

- For example, a wheelchair may be medically necessary and may also permit the person to work.

- When an item can be classified as *both* a medical *and* a disability assistance expense, and family is eligible for a deduction for both types of expenses, OWNERS should select the classification that is most advantageous for the family.

- In many instances, the decision will have no impact on the rent. For example, where an elderly family has earned income that exceeds the cost of the expenses, either classification will have the same effect on the family's TTP.

- However, for some households, the decision to classify an expense as either a medical expense or a disability assistance expense could make a great deal of difference.

Example:

Don (head, age 32) and Julie (spouse, age 33) have a disabled son who uses a wheel chair and receives daily care from a practical nurse. In addition, his bedroom ceiling had to be reinforced to install physical therapy trapeze equipment. Both Don and Julie work and have a combined income of \$20,000/year. All of these expenses would qualify as *medical expenses*. However, if the owner classifies these expenses as medical expenses, *none* of them can be deducted from annual income for this family because neither the head nor the spouse is elderly or a person with disabilities. In other words, the family does not qualify as an elderly/disabled family.

On the other hand, these expenses might also be classified as *disability assistance expenses*. Expenses for the care of a disabled family member (not just head or spouse) in order to enable any family member to work can be counted. Certainly, the nursing care qualifies as such an expense. Could the wheel chair and trapeze installation count? If these two devices make it possible for the practical nurse to take appropriate care of the son, they would be counted.

Under this scenario, all of the expenses that exceed \$600 (3% of \$20,000) could be deducted.

- What about those situations where it is clear that an eligible family will have some expenses that will be classified as medical expenses *and* some expenses that will be classified as disability assistance expenses at the same certification/recertification?

In other words, not only is the family eligible for both types of deductions, but the family will actually have both medical expenses and disability assistance expenses.

- The regulations specify that the appropriate deduction will be the sum of eligible medical and disability assistance expenses that exceed 3 percent of annual income.
- However, unlike medical expenses, disability assistance expenses are limited by the earned income of the person enabled to work.

This situation requires a *special calculation* by OWNERS.

- In this circumstance, OWNERS must make the appropriate calculations **in the following order:**

1. Owner caps the eligible disability assistance expenses by the earned income of the family member(s) enabled to work.

2. The owner then deducts 3% of annual income from remaining eligible disability assistance expenses.

- 3a. Where 3% of annual income *exceeds* the disability assistance expenses; the balance of the 3% is deducted from medical expenses. The result is the medical/disability assistance deduction.

- 3b. Where 3% of annual income *is less than* the disability assistance expenses, the balance of the disability assistance expenses is added to the total medical expenses. The result is the medical/disability assistance deduction.

Acceptable forms of Medical Expense Verification:

HUD accepts three methods of verification. These are, in order of acceptability, third-party verification, review of documents, and family certification. If third-party verification is not available, owners must document the resident file to explain why third-party verification was not available.

Medical expenses are not allowable as deductions unless applicant is an elderly or disabled family. Status must be verified.

1. Written verification by a doctor, hospital or clinic personnel, dentist, pharmacist, etc., of:
 - a. The estimated medical costs to be incurred by the applicant and of regular payments due on medical bills;
 - b. The extent to which those expenses will be reimbursed by insurance or a government agency; and
 - c. Whether the provider accepts Medicare assignment.
2. The insurance company's or employers written confirmation of health insurance premiums to be paid by the applicant.
3. Social Security Administration's written confirmation of Medicare premiums to be paid by the applicant over the next 12 months.
4. For attendant care:
 - a. Doctor's certification that the assistance of an attendant is medically necessary;
 - b. Attendant's written confirmation of hours of care provided and amount and frequency of payments received from the family (or copies of cancelled checks the family used to make those payments); and
 - c. Applicant's certification as to whether any of those payments have been or will be reimbursed by outside sources.
5. Receipts, cancelled checks, or pay stubs that indicate health insurance premium costs, etc., that verify medical and insurance expenses likely to be incurred in the next 12 months. The resident file should also contain third party documentation verifying what type of insurance and the person covered under the insurance plan.
6. Copies of payment agreements with medical facilities or cancelled checks that verify payments made on outstanding medical bills that will continue over all or part of the next 12 months.
7. Receipts or other record of medical expenses incurred during the past 12 months that can be used to anticipate future medical expenses. Owners may use this approach for "general medical expenses" such as non-prescription drugs and regular visits to doctors or dentists, but not for one-time, nonrecurring expenses from the previous year.

Reluctant 3rd party or Previously Paid Medical

Some 3rd parties are reluctant to estimate anticipated medical needs. On-going medical expenses which occurred in the 12 months preceding the effective date of recertification - less any one-time expense that are not anticipated to reoccur - may be used to estimate anticipated medical allowances. Documentation must be present in the resident file to substantiate OWNERS efforts to obtain 3rd party written verification prior to allowing previously paid medical expenses. OWNERS must carefully track use of these expenses so that they are not used again in upcoming resident recertification.

MEDICAL ISSUES:

Question 1: What is considered an "assistance animal?" If someone brings a prescription for an animal to lower blood pressure, or for depression or emotional well being, do we then consider this an assistance animal? Do we then allow for vet bills on those animals in an elderly/disabled household?

Answer 1: An assistance animal is one that works, provides assistance or performs tasks for the benefit of a person with a disability. Check with your compliance department for a full definition of an Assistance Animal. Part of which is "...providing emotional support to persons with disabilities who have a disability related need for such support." See OWNERS policy for additional information on determining if a resident meets the definition of a person with a disability that makes them eligible for an assistance animal as a reasonable accommodation and how to verify the need for an assistance animal.

The need for an assistance animal has to be directly related to a disability, and the services performed by the animal must alleviate one or more identified symptom of that person's disability.

Veterinary bills as well as other expenses related to the upkeep of the assistance animal are allowed medical expense for a qualified assistance animal.

Question 2: Are companion animals' expenses medical deductions just like assistance animals?

Answer 2: Yes, if the animal you refer to as a companion animal meets the definition of an assistance animal and the requirements of HUD.

Question 3: Can household help be included if prescribed by a doctor?

Answer 3: Household help is not allowed to be included as a medical expense regardless of whether the doctor prescribes it or recommends it.

Question 4: Can medical deductions be used at initial move-in based on past 12 months history of medical bills?

Answer 4: OWNERS may use reoccurring medical expenses paid by the tenant during the past 12 months at the initial move-in as a method of estimating anticipated medical expense for the coming year. If the tenant is under a payment plan for medical expense, the total amount of payments to be made for the year may be used. (One time medical expense paid in full prior to move-in should not be used because medical deductions were not a consideration in calculating the rent at the time it was paid.)

Question 5: If a doctor prescribes that a tenant use items such as Depends to aid a medical condition, is it an allowable deduction? The question was raised because it would be a questionable expense because of the word "prescribe." Doctors are not likely to "prescribe" such an item-it is likely that they would instead "recommend." Bottom line, are reviewers going to question this deduction even if the doctor states on a 3rd party verification form that they

prescribe this item?

Answer 5: If the doctor prescribes the personal use item to prevent or alleviate a physical or mental defect or illness of the patient it may be included.

Question 6: Regarding one-time medical expenses, does this include all paid expenses the tenant has incurred in the past year? For example if the tenant had, an x-ray, cat-scan, an EEG, and bought new glasses and new dentures with everything in the past year paid in full except the cat-scan, which is being paid in monthly installments - are all expenses counted?

Answer 6: Yes, all expenses paid in full by the tenant (after the Medicare or other insurance has paid their portion) and not previously used for an Interim would be included. If a medical expense were being paid under a payment plan, it would be counted as an anticipated expense.

Question 7: Is a notarized statement required for over the counter medication that does not have an RX as supporting documentation?

Answer 7: No, a notarized statement is not sufficient verification for over the counter drugs. Over the counter medicine must be prescribed by a physician for a particular condition or illness to qualify as a medical expense.

Question 8: Can the cost of Life Line or a cell phone recommended by a physician for frail, elderly person to use in case of a medical emergency be counted as a medical expense?

Answer 8: The cost of these items would not be considered as a medical expense. An allowable medical expense is an item that treats or alleviates a medical condition. These above items do not qualify as medical expense since neither have an impact on the actual medical condition.

Question: HUD states that a physician must prescribe nutritional supplements and non-prescription medicines. Can this only be done by a physician? Can a nurse practitioner, chiropractor, physician's assistant, licensed herbalist, or other health care professional prescribe nutritional supplements, herbal medicines or non-prescription medicines? Are nutritional supplements and herbal medicines allowable medical expenses even if they are available over the counter?

*Answer: If a medical practitioner is licensed to prescribe medicines and recommends **in writing** a nutritional supplement, herbal medicine or nonprescription drug as a treatment for a specific medical condition diagnosed by a physician or other medical professional who is licensed to make a diagnosis, the cost of the medicine can be included as a medical expense even if it is available over the counter. Herbal medicines, nutritional supplements and nonprescription drugs are not counted if the medicine is recommended to maintain ordinary good health. An example of a nonprescription drug that may or may not be a medical expense is: A doctor provides a recommendation to an elderly tenant that she take calcium medication (non-prescription) and milk with calcium daily, which is very essential for the tenant's bones. The calcium medication may be allowable if the physician has diagnosed a medical condition such as osteoporosis and recommends calcium medication as part of the treatment. If the doctor has recommended the calcium medication to maintain the health of the tenant's bones, it is for ordinary good health and is not allowable.*