FRAC Food Research & Action Center

U.S. HUNGER SOLUTIONS

Best Practices for Creating a Standard Medical Deduction for SNAP

SCOPE ■ State

PROGRAM ■ Supplemental Nutrition Assistance Program (SNAP)

PRACTICE ■

Work with the state agency to create a standard medical deduction (SMD) to simplify the collection of medical expense information from Supplemental Nutrition Assistance Program (SNAP) participants who are elderly (60+) or are non-elderly and living with disabilities. Doing so requires the state SNAP agency to request a demonstration waiver — from U.S. Department of Agriculture, Food and Nutrition Service (USDA-FNS) — to develop an SMD in lieu of calculating actual medical expenses.

WHY ■

SNAP allows individuals age 60 and older and non-elderly persons with disabilities to deduct from income their out-of-pocket medical expenses, thereby helping to ensure more adequate and accurate SNAP benefit amounts, but only 16 percent of households with elderly members and nine percent of households with non-elderly members with disabilities claimed the medical deduction in fiscal year 2017. [i] An SMD streamlines this process to achieve administrative efficiencies, improve the client experience, and help ensure accurate benefit amounts. Instead of documenting each individual's medical expense, which can be difficult and time-consuming for applicants and caseworkers alike, eligible households can claim the state's SMD. Applicants still must verify the first $35 in medical expenses. If an applicant has out-of-pocket medical expenses exceeding the SMD, states can allow applicants to claim the higher amount as long as each expense is verified.

Benefits of an SMD include:

- higher percentage of eligible households claiming a SNAP deduction for the medical expenses they incur;
- greater average benefit amounts among SNAP recipients who are elderly or non-elderly and living with disabilities;
- shorter application processing time for caseworkers; and
- fewer administrative errors.

BACKGROUND ■

Households with at least one "elderly" or "disabled" person can deduct non-reimbursed medical costs over $35 a month. (7 U.S.C. § 2014(e)(5); 7 C.F.R. § 273.9(d)(3)). Creating an SMD eases this process greatly. More than 20 states currently operate SMD demonstration projects with concentrations in the Mountain Plains (Colorado, Iowa, Kansas, Missouri, North Dakota, South Dakota, and Wyoming) and Southeast (Alabama, Georgia, and South Carolina) regions. [ii] Recently, California and Oklahoma implemented SMD demonstrations. SMD demonstration projects are authorized for five years.

Each state establishes its own SMD amount, subject to approval by USDA-FNS. SMD amounts vary across the country (typically $100-200/month) and can be adjusted at demonstration waiver renewals or sooner if warranted.

USDA-FNS has historically required SMD demonstration projects, to be approved, be “cost neutral,” meaning policy changes should not increase federal expenditures on SNAP benefits for the state. Most states achieve cost neutrality through a reduction in their state’s Standard Utility Allowance (SUA), which provides a deduction to households with out-of-pocket costs for heating, cooling, and other utilities. The so-called “offset” artificially lowers the SUA, with significant variations in the reduction by state, for example $3 (Colorado, Texas, and Virginia) and $18 (North Dakota).

Figure 1 offers two examples of how cost neutrality with an SUA offset could be calculated.

Figure 1: Sample Cost Neutrality Calculation

		State A	State B
1	# All SNAP households [1]	800,000	200,000
	SMD Calculation		
2	# Elderly/non-elderly disabled SNAP households [1]	160,000 (20%)	30,000 (15%)
3	# Elderly/non-elderly disabled households claiming medical expense deduction [1]	19,200 (12%)	3,000 (10%)
4	Average medical expense deduction [2]	$60	$50
5	Established transportation costs incurred but not claimed	$25	$25
6	Percent elderly/non-elderly disabled households with maximum benefit [1]	15%	10%
7	# Elderly/non-elderly disabled households likely to benefit from an SMD [3]	16,320	2,700
8	Proposed SMD amount[4]	$165	$180
9	Annual cost of an SMD for current caseload [5]	$3,916,800	$850,500
	SUA Calculation		
10	# All SNAP households claiming SUA [1]	536,000 (67%)	110,000 (55%)
11	Percent all households with maximum benefit [1]	40%	35%
12	Number of all households affected by SUA offset [3]	321,600	71,500
13	Proposed SUA reduction [4]	-$4	-$4

[1] This is publicly available data from USDA-FNS.
[2] Caseload data to request from State Agency; states must exclude households with very high out-of-pocket medical expenses, since they would likely opt out of the SMD. The upper limit of what states include is set at the SMD plus $35. If the SMD is $165, the state would need to exclude from the cost-neutrality calculation all households with $200 or more in medical expenses.
[3] Calculated by the number of households claiming a deduction (medical expense or SUA) multiplied by the percent not receiving the maximum benefit.
[4] States can propose any amount, as long as it is cost neutral.
[5] Based on USDA-FNS assumption that ±$4 deduction = $1 benefit change. This is calculated by: (Proposed SMD amount – Average medical expense [Row 4 + Row 5]) / Proposed SUA reduction) * Number of households likely to benefit [Row 7] * 12 months

14	Annual savings of SUA reduction for current caseload	$3,859,200	$858,000
Net Change			
15	Change in total costs to federal government (cost neutral=$0)	+$57,600	-$7,500

TIP

When calculating average medical expenses for an SMD's cost neutrality proposal, states can — and should — include estimated transportation costs for medical visits, which are often undercounted. Figure 1, row 5 shows an example of how this could be done. USDA-FNS makes clear that states should include all *incurred* medical costs, including car mileage, public transportation, cab fare, or other transportation costs, which may not be documented in most case records.

Alternatively, rather than use an offset, states have two other options:
[1] States can set their SMD amount at the actual average medical expense incurred by elderly and non-elderly disabled SNAP recipients in the state's current caseload. For example, if the average medical deduction claimed in a state is $90, the SNAP agency could establish an SMD of $90, without identifying another offset, since doing so would not increase federal SNAP expenditures in the state.
[2] States might consider estimating the out-of-pocket medical expenses of senior and non-elderly disabled individuals, based on the average costs for known medical conditions (e.g., diabetes or heart disease). Like the strategy described above, this "estimate approach" would not require an offset, since medical deductions would be based on average out-of-pocket expenses for specific diagnoses. [iii] Although no states have pursued this strategy to date, states interested in exploring this option could partner with a local university to develop a reasonable methodology based on medical claims data.

KEY STEPS

States must request USDA-FNS approval for an SMD demonstration project, which comes with certain evaluation requirements. In many SMD states, SNAP agency staff and community stakeholders work closely to develop the proposal and evaluation plan. State proposals should include:

- a cost neutrality plan;
- an estimate of the number of SNAP participants that will be affected;
- a detailed implementation plan; and
- a plan for data collection and evaluation.

SPOTLIGHT

In 2016, Colorado implemented an SMD of $165/month after nearly two years of research and planning with local stakeholders. The SMD working group included Hunger-Free Colorado, a statewide anti-hunger organization, county administrators, aging advocates, and Colorado's SNAP agency, with technical assistance from national partners. This working group sought to ensure that current SNAP households would not experience a benefit cut when the SMD was introduced. To meet this goal, Colorado achieved cost neutrality by choosing not to increase the state's SUA on October 1, 2016, which would have otherwise increased by $3. This timing resulted in SNAP benefit levels remaining flat, instead of rising by $1 for some households. This helped reduce confusion for SNAP caseworkers and recipients alike, since no household's SNAP benefits were reduced because of the cost-neutrality offset required by the adoption of the SMD.

Advocates who want to begin a conversation with their SNAP agency about the SMD can begin by requesting state data on:
[1] the number of elderly/non-elderly disabled households receiving SNAP;
[2] the number of elderly/non-elderly disabled households currently claiming a medical expense deduction; and
[3] the average medical expense deduction, excluding those with very high monthly expenses (e.g., more than $200) who would likely opt out of the SMD by documenting each expense.

States have flexibility in the timeframes used for data sampling in an SMD demonstration proposal (e.g., previous fiscal year or previous quarter), so any readily available data can be used. With this information, advocates can evaluate the feasibility of the various cost neutrality strategies and propose a stakeholder working group to make recommendations to the state agency.

CHALLENGES

A frequent concern raised about the SMD is that the typical SUA offset strategy results in lower SNAP benefits for other households with high shelter costs. This is especially true in the states with SUA offsets of $10 or higher. As described above, states are not required to reduce their SUA in order to implement an SMD. Two other options rely on average medical costs incurred, but could result in lower SMDs than in those SMDs in states using an offset.

Another challenge for states can be the data collection and evaluation process required of projects conducted under this USDA-FNS demonstration authority. States must submit detailed annual reports to USDA-FNS and “recalibrate” their cost neutrality calculations over time.

Because the SMD is widely viewed as a successful demonstration project, some lawmakers hope to create a national SMD and allow the SMD to become a state option, both of which would significantly reduce administrative complexity for state agencies.

LESSONS

Critical lessons learned from early implementers of the SMD include:

- Although an SMD reduces the need for SNAP applicants to produce proof of every single medical expense, caseworkers still must be trained to assist households to verify at least $35 in medical expenses and to inform applicants of their right to claim expenses above the SMD with full documentation.
- Advocates should pay close attention to the cost neutrality methodologies proposed by their states at renewal of the SMD as well as in the original formulation of the SMD.
- Application assistance and education about a state’s SMD is essential to ensure eligible households know how to claim the deduction.

MORE RESOURCES

- USDA-FNS’ *State Options Report*: https://www.fns.usda.gov/snap/state-options-report;
- National Council on Aging’s *Strategies to Simplify SNAP for Seniors*: https://www.ncoa.org/resources/simplify-snap-through-esap-smd/;

- Center on Budget and Policy Priorities' *SNAP's Excess Medical Expense Deduction: Targeting Food Assistance to Low-Income Seniors and Individuals with Disabilities*: ***https://www.cbpp.org/sites/default/files/atoms/files/8-20-14fa.pdf***;

- FRAC's *Combating Food Insecurity: Tools for Helping Older Adults Access SNAP*: ***http://frac.org/wp-content/uploads/senior_snap_toolkit_aarp_frac-1.pdf***;

- Mass Law Reform Institute's *Details on SMD in Massachusetts*: ***https://www.masslegalservices.org/content/food-stamps-snap-and-medical-expense-deduction***; and

- Hunger Free Colorado's *New Policy Could Bolster Food Assistance for Older Coloradans and People With Disabilities*: ***http://blog.hungerfreecolorado.org/news/new-policy-could-bolster-food-assistance-for-older-coloradans-and-people-with-disabilities/***.

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For more on ending hunger, read FRAC's ***A Plan of Action to End Hunger in America***.

ENDNOTES

[i] U.S. Department of Agriculture, Food and Nutrition Service, *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2017*. (Table A.17, page 55). Available at: **https://fns-prod.azureedge.net/sites/default/files/ops/Characteristics2017.pdf**. Accessed on May 10, 2019.
[ii] U.S. Department of Agriculture, Food and Nutrition Service. (2018). *State Options Report* (14th edition). Available at: **https://fns-prod.azureedge.net/sites/default/files/snap/14-State-Options.pdf**. Accessed on May 10, 2019.
[iii] Adams, G. B., Lee, J. S., Bhargava, V., & Super, D. A. (2017). *Offsetting the Effects of Medical Expenses on Older Adults' Household Food Budgets: An Analysis of the Standard Medical Expense Deduction*. Available at: **https://academic.oup.com/gerontologist/article-abstract/57/2/359/2646611/Offsetting-the-Effects-of-Medical-Expenses-on**. Accessed on May 10, 2019.