

Medical Expenses

Medical expense deductions have been a source of confusion. We have discussed and researched the issue using our handbooks, HUD guidance, the CFR and by polling the surrounding states. The following provides clarification to guidance available at HB 2-3560 6.9 C (5) and HUD HB 4350.3 5-10 D. *Note: This will be enforced from here forward- we will not be revisiting expenses from any years prior to those applicable to current certifications.*

Deduction for Medical Expenses (for elderly and disabled households only)

HB 2-3560 6.9 C (5)

Medical expenses may be deducted from annual income for elderly and disabled households (HH) if the expenses will not be reimbursed AND when combined with any disability assistance expenses are in excess of 3% of annual income. If the HH qualifies for the medical expenses deduction, expenses of all members are considered.

Determining Medical Expenses

HB 2-3560 6.9 C (5)

One of the most challenging aspects of determining allowable medical expenses is estimating a HH's medical expenses for the coming year. While some anticipated expenses can be documented easily, others need to be estimated. The borrower should use historical information about medical bills as a guideline to estimate future expenses. The estimates must be realistic- for example, if the HH has a significant medical bill, the borrower would count only that portion of the bill that is likely to be paid during the coming year. (Example- the payments expected to be paid from a payment plan) HOWEVER- what happens to those unexpected bills that have been paid in full when the expense is incurred?

One-time, Unexpected, Paid-in-full Medical Expenses

[*HUD HB 4350.3 5-10 D*](#)

Our handbook and regs do not offer any specific guidelines on this situation, and many times these expenses are simply dropped and the tenants do not receive any subsidy based on this amount. Our guidelines allow unscheduled recertifications (i.e. interim recertifications) only due to changes in income or changes in HH composition. So a change in medical expenses will not prompt a recertification. As our regs and handbooks are deeply rooted in HUD guidelines per the Housing Act of 1949, we must refer to them if our guidelines do not cover a specific situation. According to the HUD Occupancy Handbook, past-one time nonrecurring medical expenses that have been paid in full during the previous year (only the previous year- not further back) may be included in the medical expense deduction at the annual recertification. Previous, one-time, paid-in-full expenses ARE NOT applicable at move-in.

Medical Expense Examples:

Mr. and Mrs. Smith have been tenants in Rural Development multi-family housing for five years. They are due to be recertified, effective 3/1/2009. In 2008, Mr. Smith had unexpected hip replacement surgery, resulting in out of pocket medical expenses of

\$1,500.00 which he paid in full in 2008. In addition to their recurring medical expenses of Medicare, Supplemental Insurance and Prescriptions, the out of pocket medical expenses of \$1,500 may be included on the 3/1/2009 Tenant Certification.

Mr. and Mrs. Smith are moving into Rural Development multi-family housing, effective 3/1/2009. While interviewing the tenants, the manager discovers Mrs. Smith is getting hearing aids in 2009 and the cost will be \$3,000.00. She plans to pay the entire amount with funds in her savings account. The cost of the hearing aids, \$3,000.00, may be included on their initial Tenant Certification. *NOTE: When recertifying Mr. and Mrs. Smith, effective 3/1/2010, the hearing aids may not be included again.*

Mr. Jones has been a tenant in Rural Development multi-family housing for two years. In 2008, Mr. Jones had emergency surgery, with out of pocket expenses of \$2,000.00. Due to limited funds, he set up a payment plan with the hospital and will be repaying \$50.00/month, beginning 3/1/2009, when he is due to be recertified. The allowable medical expense for 3/1/2009 – 2/28/2010 will be \$600.00 (\$50/month x 12 months). These payments may continue to be used as a medical expense, until the entire \$2,000 has been repaid. 3/1/2010 – 2/28/2011 - \$600.00 / 3/1/2012 – 2/28/2012 - \$600.00 / 3/1/2012 – 3/23/2013 - \$200.00