

Standard Demonstration Waiver Request Template

SMD Template

1. **Serial Number:** N/A
2. **State:** KY
3. **Region:** SERO
4. **Type: Initial**
 - a. Initial
 - b. Extension
 - c. Modification
 - d. Extension/Modification
5. **Title:** Standard Medical Deduction (SMD) Project
6. **Citation:** Section 5(e)(5)(A), 7 CFR 273.9(d)(3), 7 CFR 273.14(b)(4), 7 CFR 273.2(f)(8)(i)
7. **Requirements:**

Section 5(e)(5)(A): A household containing an elderly or disabled member shall be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to an excess medical expense deduction for the portion of the actual costs of allowable medical expenses, incurred by the elderly or disabled member, exclusive of special diets, that exceeds \$35 per month.

7 CFR 273.9(d)(3) 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.

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 total medical expenses claimed by households which are changed by \$25.01 or more and which are incomplete, inconsistent, inaccurate or outdated.
8. **Proposed Alternative Procedures**
 - a) **Eligibility:**

Describe the specific populations who will be eligible for the SMD such as elderly and/or disabled household members with at least \$35 in allowable out of pocket medical expenses. All elderly and/or disabled household members with more than \$35 in out of pocket allowable medical expenses will be eligible to use the SMD or actual medical expenses,
 - b) **Application Form:**

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Describe any changes to the application form used for eligible households. Describe any specialized instructions on the form such as a description of the SMD deduction or accompanying materials. Indicate if information about the SMD will be available on the SNAP application in paper, online, or both.

Information about the use of a SMD will be explained during initial application interview.

c) Conversion of Households Participating in Regular SNAP:

If this is a new SMD demonstration project, describe the State's strategy for converting eligible households in regular SNAP to SMD demonstration project. Describe the State's procedures if households become SMD eligible due to changes in household circumstances.

Eligible households will be offered the SMD at application and recert. Eligibility will be re-determined if changes are acted upon.

d) Interview:

Describe the State's interview process under the SMD demonstration. How will the State explain the requirements associated with participation in the demonstration project? *If the client's actual out of pocket medical expenses are greater than the SMD amount, the client must be informed that they can choose to provide documentation of actual medical expenses and claim actual medical expenses as their deduction or choose instead to provide sufficient information to receive the SMD.*

Staff will inquire about eligible medical expenses, explain SMD and the option to use actual bills.

e) Verification:

Describe the State's procedures for addressing the specific verification components of the SMD demonstration project. How will the State verify out of pocket medical costs of SMD applicants? What are the procedures for discrepancies in information? What type(s) of documents will the household need to provide?

The household will be required to provide verification of at least \$35.01 in eligible medical expenses.

f) Certification Period and Recertification:

Describe any systems changes needed to address implementation of the SMD demonstration project. How will the State notify the eligible household about the information required at certification or recertification to qualify for participation in the demonstration? What information will be included on notices? Describe the specifics of the recertification process under the SMD demo.

Households requiring an interview will receive information about the SMD at time of interview. ESAP households recertifying by form only will have information on the form explaining option of SMD. Households must verify medical expenses of at least \$35.01 to initially qualify to use the SMD, and client statement will be acceptable ongoing unless questionable; households will not have to re-verify eligibility for SMD at renewals.

g) Client Reporting:

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Describe how the State will act on client reported changes in medical costs or household circumstances in order to ensure the appropriate medical deduction amount is applied over time.

Staff will take action on any change resulting in medical expenses lower or higher than the SMD.

h) Training:

Describe the training plan and strategies the State will implement. How will the State train eligibility workers on SMD certification procedures and other components of the demonstration project? An online training to introduce the new process will be provided as well as a tip sheet.

i) Outreach:

Describe the outreach plan for SMD such as identifying partner organizations, providing training on SMD eligibility and verification criteria.

j) Opt Out Procedures:

Describe procedures or notices that inform applicants/clients that they can opt out of the demonstration project and claim actual medical expenses.

Staff will explain at initial interview the option to use SMD or actual expenses.

9. Proposed SMD Amount

For new SMDs: Please provide the proposed SMD amount and a brief explanation of how this amount was selected.

This amount should not include the \$35 medical deduction. A best practice is to collect data on the medical deduction amounts elderly/disabled members are claiming under current law. This could be for a sample of cases or for all households; if using a sample, make sure that the sample is large enough to be representative. Once this information is gathered, find the 70th and 75th percentile of those deduction values. The SMD amount should be set between the 70th and 75th percentile. When selecting the SMD amount, States should consider both administrative simplicity (i.e., the higher the SMD amount, the fewer households will verify actual expenses) and the size of the offset (i.e., the higher the SMD, the greater the offset will need to be to achieve cost neutrality). The State should also include some recent data on the total # households in the State, the # of households with elderly or disabled members, and the # of households claiming a medical deduction.

Kentucky pulled today from last 3 months of active SNAP cases, 51% of those have a member eligible to claim medical deductions but only 7% of those are utilizing the deduction, with an avg of \$145.32 per household allowed. The 70th percentile is \$135, the 75th percentile is \$139. Kentucky's proposed SMD is \$137.

For renewing SMDs: A completed cost neutrality data report should be submitted alongside the renewal request. If the State is suggesting a change to the SMD amount, please describe here and provide supporting data for the new SMD amount. Appropriate supporting data would be data showing the distribution of medical expenses

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elderly/disabled households are claiming (from all households or a representative sample of households).

10. Justification for Request

Pilot or demonstration projects are intended to test program changes that might: 1) increase the efficiency of SNAP; and 2) improve the delivery of SNAP benefits to eligible households.

Use the space below to describe how implementing this project in your State will achieve these and any other objectives.

The use of a SMD will ease verification requirements of applicants and encourage more participants who are eligible for medical deductions to utilize the SMD. It will also assist staff efficiency as manually calculating allowable medical expenses can be time consuming. Kentucky's current error rate for medical expense related errors was 9.8% for FFY22, the agency's goal is to lower this rate by 50% after inception of SMD.

11. Caseload Information

a. Percent of caseload expected to be affected by this waiver
51% of the SNAP caseload has a member eligible for medical deductions, 7% of those households currently utilize the medical deduction, with an average of \$145 allowable.

b. Description of population expected to be affected by this waiver
The agency anticipates all of the 7% to utilize the SMD, which have expenses between the base \$35.01 and the proposed SMD of \$137, and other eligible households to be encouraged to verify their medical expenses to explore eligibility for SMD.

12. Anticipated Impact on Households & State agency operations

Use this space below to describe how implementing this project in your State will impact program enrollment, cost, SNAP households, and State agency operations.

The agency anticipates more households to apply with medical expenses to explore eligibility and expects time savings in using SMD instead of calculation of actual medical expenses.

13. Proposed Evaluation Procedures

Pilot or demonstration projects must include an evaluation component to determine the effects of the project. Households utilizing the SMD will be tracked by the eligibility system and included in regular case review processes.

Use the space below to describe how the State agency plans to evaluate the effects of this project in relation to the stated objectives.

Cases including SMD will be tracked by the system to allow for analysis.

14. Anticipated Impact on Program Costs

Increased program costs associated with pilot or demonstration projects must be analyzed to determine if any offsets are needed to protect Federal spending.

There will be initial design/programming system costs.

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Use the space below to describe any anticipated impacts on program costs as a result of implementing this project.

Pre-Populated Text: If proposing a Heating and Cooling Standard Utility Allowance (HCSUA) offset, please provide an explanation of how this offset amount was established. Please attach data documenting your decision. Kentucky is submitting a 200 case sample and requests FNS assistance in determining offset.

15. Anticipated Implementation Date 4Q 2023 design phase

16. Anticipated Expiration Date Ongoing

17. Waiver Approval Needed Prior to Anticipated Implementation Date (e.g. for system adjustments)?

a. If yes, indicate "Needed Approval Date" yes

18. State Requesting Official (e.g. Commissioner, Director)

Todd Trapp, Director

19. State POC Shelly Carter@ky.gov