Georgia CAFE
Community Advocacy to Access Food Stamps for the Elderly & Disabled

SNAP Standard Medical Expense Deduction, Part II:

Research & Recommendations
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Background Information

Elderly (age 60+) or disabled SNAP participants may claim a medical expense deduction in which they document out-of-pocket expenses to provide a more accurate estimate of their household income. The burden of proof has typically fallen on the individual, who must provide receipts documenting itemized medical expenses in excess of $35 per month. The state SNAP agency must then verify these expenses, a process that can be time-consuming and burdensome for administrative agencies and SNAP participants.

In lieu of reporting itemized expenses, many states have been approved by USDA Food and Nutrition Services to use a "Standard Medical Expense Deduction" (SMED).

How the Standard Medical Expense Deduction Works

The SMED works by allowing individuals with medical expenditures to claim the deduction by verifying that they have at least $35 in out-of-pocket costs. For example, a state with a $175 SMED would give this deduction for a person with $150 in medical expenditures as long as they showed they spent at least $35. Individuals with very high medical expenditures, above the SMED amount, are able to deduct actual expenditures by documenting what they actually spent. Sixteen states have adopted the SMED, including Alabama (the latest state to join.)

National Analysis of SMED Implementation

Using nationally representative SNAP Quality Control data, analysis was conducted to compare outcomes among elderly and disabled clients in states with a Standard Medical Expense Deduction and states without the deduction. Outcomes of interest include medical expenses reported, medical deductions received, and benefit levels.

On average, states with the SMED have more clients reporting medical expenses than states without the deduction, as well as higher average medical deductions received among clients that claim any expenses. Benefit levels are also higher in states with the standard deduction, and fewer senior and disabled clients are receiving the minimum benefit.

Adopting the Standard Medical Expense Deduction

States seeking to adopt the Standard Medical Expense Deduction may take two approaches to receiving approval from the USDA for implementation: the first approach, called the cost neutrality approach, is the most common; the second approach, called the "estimate" approach has not yet been used but is an appropriate alternative to cost neutrality. The state must also consider other beneficiaries—a policy change that benefits one group (e.g. seniors and disabled) should not disproportionately affect another group of SNAP beneficiaries.

Cost Neutrality Approach

The cost neutrality approach requires states to demonstrate that there will not be an increase in the cost of benefit allocation if the SMED is adopted. To date, the 16 states that have been approved to use the SMED have achieved cost neutrality by making trade-offs in other areas, commonly the Standard Utility Allowance. Each state that is approved to implement the SMED must demonstrate this "cost neutral" approach so that the overall cost of the program does not increase.

Cost neutrality analyses were conducted for the state of Georgia. Using Georgia SNAP participation data from 2014, the cost neutrality analysis demonstrates that a modest decrease in the Standard Utility Allowance will allow for implementation of a $185 Standard Medical Expense deduction. Further, this would result in significant annual program savings. This change would allow many senior and disabled clients to increase their benefits by more than $15 in most cases.

Estimate Approach

The second approach is called the "estimate" approach and is based on the use of average out-of-pocket medical expenses incurred by individuals with various conditions. In order to construct the appropriate amounts for each condition, actual medical expenditure claims data would be utilized to construct estimates on how much the Standard Medical Expense Deduction should be. Data such as those described below could be employed to estimate a specific dollar amount for each client claiming the deduction, based on their health condition.

As a result of work conducted by the University of Georgia and Georgia Division of Aging Services, data were collected which estimated medical expenditures of vulnerable older Georgians based on data from the Georgia Advanced Performance Outcomes Measures Project 6 and Centers for Medicare and Medicaid Services 2008.

On average, sample participants had approximately $190 of out of pocket expenses per month. However, for individuals with multiple chronic conditions, this number was much higher. In the sample, 71% of participants had three or more chronic conditions, meaning that the overwhelming majority of seniors in the sample have very high medical expenses each month.

Policy Recommendations

Based on national and state-level research, we recommended that the state of Georgia adopt the SMED. Findings indicate that the financial burden of out-of-pocket medical expenses could seriously compromise food security status for elderly and disabled SNAP clients. Results show that the adoption of the SMED are associated with increased reporting of medical expenses and higher benefit levels once the medical expense deduction is employed in the states that have adopted the deduction. Adoption of the SMED could also decrease administrative burden in verifying individual medical expenses, thus leading to cost savings in both benefit allocation and program administration.

A state applying for approval to adopt the SMED must show that the standard deduction will not result in significant increases in benefits allocated in that state. However, we find that this policy change could result in cost savings for the program with only modest decreases in benefits for other beneficiaries. Even if the percentage of clients reporting medical expenses increases as a result of the SMED, findings indicate that the increase in benefits for senior and disabled clients is sustainable.

References

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