



## **PROFESSIONAL JUDGMENT**

### **TOPIC: Medical and Dental Expenses**

#### **IM STANDARD TREATMENT**

The IM standard treatment includes basic medical premiums and routine expenses in the Income Protection Allowance. Based on current Consumer Expenditure Survey data, unreimbursed medical expenses represent approximately 3.5 percent of total family income; therefore expenses in excess of 3.5 percent of total income are assessed as an allowance against income.

#### **FM STANDARD TREATMENT**

The FM standard treatment does not include an allowance for exceptional unreimbursed medical expenses. Under FM, unreimbursed medical expenses are included in the Income Protection Allowance and represent eleven percent of the IPA value. As a result, under FM, exceptional unreimbursed medical expenses would be defined as those in excess of eleven percent of the IPA for the applicant.

#### **WHY PROFESSIONAL JUDGMENT MIGHT BE APPROPRIATE**

In some cases unreimbursed medical expenses are ongoing, or are related to complicated surgery or prolonged rehabilitation and are extremely high. In these cases, the aid administrator may make additional adjustments.

#### **HOW IM COULD BE ADJUSTED**

When the unreimbursed medical expenses are paid using prior year income, the excess of 3.5 percent of the parent income spent on medical expenses could be used as an allowance against income. Alternatively, if the family did not make payments in the prior year but has arranged a payment plan in the current year, the annual payments could be used as an allowance against income. This will require follow up in subsequent years for similar adjustments.

#### **HOW FM COULD BE ADJUSTED**

An FM adjustment could be made by calculating exceptional expenses as defined above and adding these expenses to U.S. taxes paid to reduce the family's available income.

## **HOW COLLEGE BOARD SERVICES SUPPORT PJ**

### **CSS/Financial Aid PROFILE**

The parents' medical and dental expenses for the base year and the projected year are collected in PROFILE questions PE-120 and 125. The independent student's expenses are collected in SE-105.

### **College Board IM Options**

Software using the College Board's IM permits institutions to redefine "exceptional" medical/dental expenses by entering a percent other than 3.5 percent - up to 9.9%. If a different percent is provided as a global parameter, the IM calculation will adjust the medical/dental allowance to consider expenses above the percent of income established by the institution.

### **DOCUMENTATION**

All changes should be documented.

The aid administrator may want to collect:

- A statement from the family about their circumstances
- Copies of payment plans or agreements
- Copies of charges and insurance coverage statements
- IRS Form 1040, Schedule A