State of California—Health and Human Services Agency
Department of Health Services

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Health Services

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MEDI-CAL ELIGIBILITY PROCEDURES MANUAL LETTER NO.: 273

TO: All Holders of the Medi-Cal Eligibility Procedures Manual

ARTICLE 22C-2—DETERMINING SUBSTANTIAL GAINFUL ACTIVITY (SGA)

Enclosed is an update to Article 22C-2 regarding the latest federal change to the SGA amount.

Effective <u>January 1, 2003,</u> the new SGA amount for non-blind individuals will be increased to $800.   All SGA disability determinations made on/or after January 1, 2003, should utilize the new amount.

As a reminder, the SGA amount is likely to increase annually; therefore, future reference to the actual SGA amount in the Medi-Cal Eligibility Procedures Manual (MEPM) will only be indicated on pages <u>22C-2.1 and 22C-2.2.</u> All other references to the SGA amount in the MEPM will only state "<u>Current SGA Amount</u>" and no dollar figure will be noted. County staff responsible for preparing SGA determinations will insert the current SGA amount on the MC 272 (SGA worksheet) and MC 273 (SGA work activity form). Both forms have been revised reflecting this change.   Counties are instructed to retroactively redetermine Medi-Cal eligibility based on disability if a case has been denied erroneously due to a delay in implementing the new SGA amount.

Filing Instructions:

Remove Pages:	Insert Pages:
Article 22	Article 22
Pages 22C-2.1 and 22C-2.2	Pages 22C-2.1 and 22C-2.2

Any questions pertaining to the above information should be directed Mr. Terry Durham of my staff at (916) 657-2701.

Original signed by

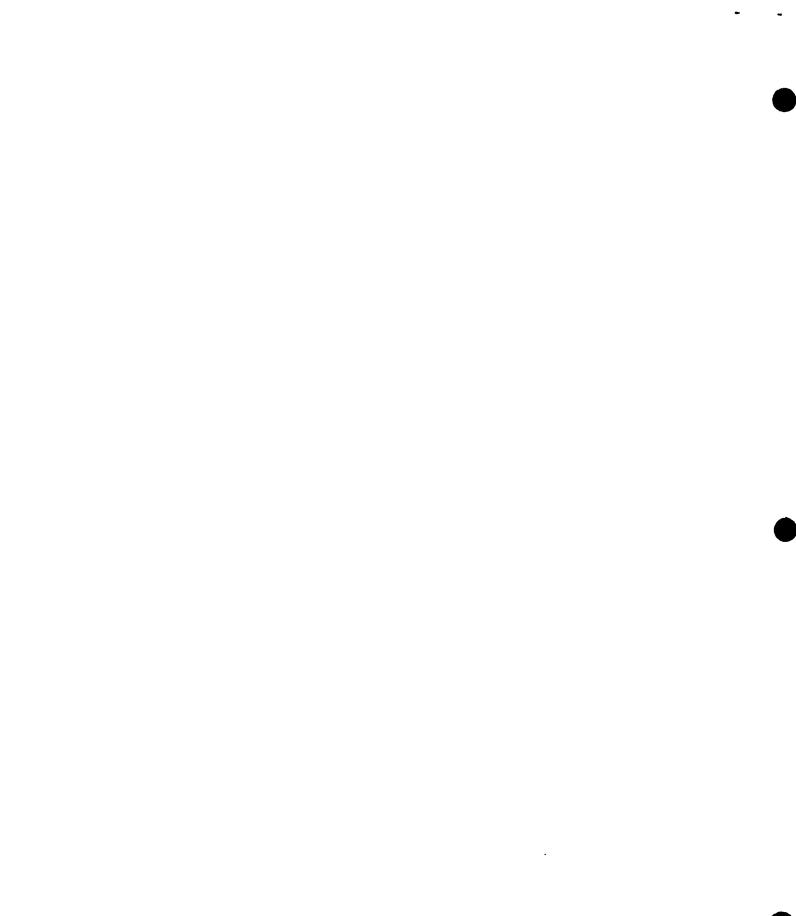Beth Fife, Chief
Medi-Cal Eligibility Branch

Enclosures

22 C-2 -- DETERMINING SUBSTANTIAL GAINFUL ACTIVITY

1. BACKGROUND

Section 435.540 of 42 Code of Federal Regulations (CFR) requires Medi-Cal to use the Supplemental Security Income (SSI) definition of disability to decide whether a client is eligible for Medi-Cal disability.

To be considered disabled, SSI requires that an individual be:

" unable to engage in **Substantial Gainful Activity** (SGA), due to a medically determined physical or mental impairment, which is expected to result in death, or which is expected to last for a continuous period of 12 months".

A client who performs SGA is not disabled, even if a severe physical or mental impairment exists.

2. THE CURRENT SGA AMOUNT

Since the SGA amount is now based on the federal average wage index, the dollar amount may be adjusted annually.

- Using the new formula, the SGA amount has increased to **$800** per month effective January 1, 2003.

NOTE: Since the SGA amount may change annually, future revisions to the manual regarding the actual SGA amount will only be reflected in this section. All other references to the SGA amount will only state "Current SGA Amount" and no dollar figure will be noted.

3. WHEN TO USE THESE PROCEDURES

These procedures will be used when a client:

- files for Medi-Cal disability, states on the MC 223 that he or she is working, and has gross earnings of more than the current SGA amount per month, or

- meets the criteria for Presumptive Disability (PD), but earns over the current SGA amount per month. PD should <u>not</u> be approved until an SGA determination is made.

NOTE: These procedures **do not** apply to clients who are blind or to beneficiaries who return to work after disability has been approved. If an SGA evaluation was not performed because the client alleged blindness, and State Program – Disability and Adult Programs Division (SP-DAPD) found that the client was disabled but not blind, an SGA evaluation must be performed before eligibility as a disabled person can be established.

4.   **PROCEDURES**

A.   <u>SGA DETERMINATIONS</u>

The EW shall determine whether client is performing SGA when client has earned income over the current SGA amount per month. The EW shall:

1.	*Obtain*:	Client's gross monthly earnings (if irregular, earnings should be averaged.) Earnings derived from In-Home Supportive Services are treated as earned income.
2.	*Determine*:	Whether there are impairment-related work expenses (IRWEs) or subsidies that can reduce earnings below the SGA amount. (A discussion of IRWEs and subsidies follows.)
3.	*Deny*:	If disability "net countable earnings" are over the current SGA amount.
4.	*Submit*:	A full disability packet to SP-DAPD, including an MC 220, MC 221, and MC 223, only if "net countable earnings" are at the current SGA amount or less.
5.	*Alert*:	Is sent by SP-DAPD via a DAPD Pending Information Update Form (MC 222) when a disability packet was sent to SP-DAPD and client is subsequently found to be engaging in SGA. SP-DAPD will stop case development and return case to the county of origin.

Work Activity Report form (MC 273, Exhibit 2) should be provided to client whose earnings are over the current SGA amount to help in making SGA determinations.

B.   <u>IMPAIRMENT-RELATED WORK EXPENSES</u>

Impairment-related work expenses (IRWEs) are certain expenses which are incurred and paid by an impaired client to enable him/her to work.

1.   <u>SGA Determination</u>

IRWEs can be deducted from gross earnings to arrive at "net countable earnings".

If "net countable earnings" are over current the SGA amount, deny the application. For self-employment, IRWEs can be deducted from net income, if not already deducted from gross income as a business expense.

Example: The current SGA amount is $800. The client earns $1,100 per month and has $200 worth of IRWEs for special transportation costs to go to work and for medications needed to control a seizure condition. In this example the net countable earnings are $900 per month ($1100-$200). As net countable earnings ($900) are more than the current SGA amount, the client is performing SGA and the application is denied.