



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



GAVIN NEWSOM
GOVERNOR

October 21, 2020

TO: ALL COUNTY WELFARE DIRECTORS Letter No.: 20-18
ALL COUNTY WELFARE ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY MEDS LIAISONS

SUBJECT: MEDICARE PART B PREMIUM DISREGARD

The purpose of this All County Welfare Directors Letter (ACWDL) is to provide counties and the Statewide Automated Welfare Systems (SAWS) with guidance regarding a new income disregard for Medicare Part B premiums for the Aged, Blind, and Disabled Federal Poverty Level (ABD FPL) program. The income disregard allows an individual to remain eligible for the ABD FPL program regardless of the state's payment of the individual's Medicare Part B premium. This new income disregard is effective December 1, 2020.

Background

In 2019, Assembly Bill (AB) 1088 (Wood, Chapter 450, Statutes of 2019) was signed into law, which added Welfare and Institutions Code (WIC) Section 14005.401. This new law requires the Department of Health Care Services (DHCS) to seek a Medicaid State Plan Amendment (SPA) in order to implement an income disregard based on the Medi-Cal beneficiary's Medicare Part B premium. The disregard would allow individuals who become ineligible for the ABD FPL program due to the state's payment of their Medicare Part B premium to remain eligible for the ABD FPL program if their income and resources otherwise meet all eligibility requirements. The Centers for Medicare and Medicaid Services (CMS) approved this disregard in CA SPA 20-0016 on October 21, 2020.

The Medically Needy (MN) program allows for an income deduction for health insurance premiums **paid** by and purchased for any person in the family, as authorized in title 22, California Code of Regulations (CCR) Section [50555.2 – Health Insurance Premiums](#). This includes the payment of the Medicare Part B premium. The ABD FPL program allows MN deductions when determining countable income and has historically allowed this deduction ([ACWDL 02-38](#)). Individuals who become eligible for the ABD FPL program have their Medicare Part B premiums paid for by the state and they lose the

health insurance premium deduction. For certain individuals, this can result in flipping between no-cost Medi-Cal and Medi-Cal with a share of cost.

Policy Change

Effective December 1, 2020, counties must disregard income equal to the amount of the individual's Medicare Part B premium when determining eligibility for the ABD FPL program, regardless of the state's payment of the premium. Previous policy required counties to apply an income deduction for the Medicare Part B premiums only if the individual was paying for the premium. The new policy does not require the individual to pay for the premium when enrolled in or applying for the ABD FPL program. This income disregard is applied to the budget for as long as the individual's countable income remains within the ABD FPL program limits. Individuals in the Medically Needy program must still pay for the premium before receiving the health insurance premium deduction.

DHCS will promulgate regulations to implement the new policy for the ABD FPL program at a later date.

Example 1

An aged, single individual applies for Medi-Cal post implementation of the ABD FPL Expansion ([ACWDL 20-02E](#)) and the Medicare Part B premium disregard. The individual receives \$1500 a month in unearned income and pays a monthly premium of \$144.60 for Medicare Part B.

Unearned income	\$1500.00
Any income deduction	- \$20.00
Medicare Part B premium disregard	- \$144.60
Total countable income	<u>\$1335.40</u>
138% FPL for one person	\$1468.00

The individual receives a deduction equal to the cost of their Medicare Part B premium. In this example, the individual's countable income is below 138 percent FPL and qualifies for the ABD FPL program. Two months later, the state begins payment of the individual's Medicare Part B premium. While the individual is no longer paying for their Medicare Part B premium, they retain the Medicare Part B premium disregard. The disregard remains active during their eligibility for the ABD FPL program.

Example 2

A disabled, single individual in the 250% Working Disabled Program is up for redetermination post implementation of the ABD FPL Expansion and the Medicare Part B premium disregard. The individual receives \$1500 a month in disability-based unearned income, \$35 of earned income, and the state pays for the individual's Medicare Part B premium of \$144.60. During annual redetermination, the county evaluates eligibility pursuant to the hierarchy, as provided in [ACWDL 17-03](#). The individual will be assessed for all Medi-Cal programs until found eligible. The individual's income would be counted as follows when determining eligibility for the ABD FPL program.

Unearned income	\$1500.00
Any income deduction	- \$20.00
Total unearned income	<u>\$1480.00</u>
Earned income	\$35.00
\$65 earned income deduction	- \$65.00
½ earned income deduction	- \$0.00
Total earned income	<u>\$0.00</u>
Total unearned income	\$1480.00
Total earned income	+ \$0.00
Medicare Part B premium disregard	- \$144.60
Total countable income	<u>\$1335.40</u>
138% FPL for one person	\$1468.00

Due to the application of the Medicare Part B premium disregard, the individual qualifies for the ABD FPL program.

Example 3

An aged, single individual in the ABD FPL program, post implementation of the ABD FPL Expansion and the Medicare Part B premium disregard, has unearned income of \$1500. This amount, subtracting the \$20 any income deduction and the Medicare Part B premium disregard, puts the individual below 138% FPL. The individual later reports an increase in their unearned income from \$1500 to \$1700. The change in circumstances results in a redetermination of eligibility.

Unearned income	\$1700.00
Any income deduction	- \$20.00
Medicare Part B premium disregard	<u>- \$144.60</u>

Total countable income	<u>\$1535.40</u>
138% FPL for one person	\$1468.00

Even with the application of the Medicare Part B premium disregard, the individual no longer qualifies for the ABD FPL program due to an increase in income. The individual will be evaluated for the Medi-Cal program that is most beneficial according to the hierarchy. After a full screening for all other programs, this beneficiary is only eligible for the Medically Needy program and may have a share of cost. The Medicare Part B premium disregard no longer applies, as it is only applicable to the ABD FPL program. The individual will be able to deduct the Medicare Part B premium from the Medically Needy budget once the individual resumes paying for their Medicare Part B premium.

Implementation Timeline

SAWS shall implement the new income disregard at the next available SAWS release.

If you have any questions about this letter or require further information, please contact:

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