



TOBY DOUGLAS  
Director

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



EDMUND G. BROWN JR.  
Governor

December 10, 2014

TO: ALL COUNTY WELFARE DIRECTORS Letter No.: 14-42  
ALL COUNTY WELFARE ADMINISTRATIVE OFFICERS  
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS  
ALL COUNTY HEALTH EXECUTIVES  
ALL COUNTY MENTAL HEALTH DIRECTORS  
ALL COUNTY MEDS LIAISONS

SUBJECT: Treatment of Impairment-Related Work Expenses (IRWEs) and Blind Work Expenses (BWEs) for Medi-Cal Beneficiaries with Disability Linkage Enrolled in the 250 Percent Working Disabled Program, Disabled Adult Child, Disabled Federal Poverty Level (FPL), Blind FPL, Blind or Disabled Medically Needy, Disabled Widows/Widowers and Pickle Programs

The purpose of this letter is to provide direction to counties to exclude IRWEs and BWEs from countable earned income retroactively to December 1, 1990, for all blindness and disability linked Medi-Cal programs, effective upon the receipt of this All County Welfare Director's Letter.

Counties shall:

- 1) Implement these changes at application, redetermination, fair hearing or whenever a case is brought to the county's attention when the county identifies that IRWEs or BWEs should be used in the eligibility determination for a beneficiary, counties shall re-assess the case without requiring that the applicant or recipient initiate the request.
- 2) Conduct a review of the county automated systems and procedures to locate and correct any eligibility processes to include the exclusion of IRWEs or BWEs as appropriate.
- 3) Retroactively reinstate any denied or discontinued cases and retroactively correct Share of Costs (SOCs) as appropriate.
- 4) Rescind and reissue notices of action as appropriate.

- 5) Assist applicants/beneficiaries in obtaining reimbursement for Medi-Cal covered services either by directing the beneficiary to contact their provider for covered expenses incurred with the past twelve months or by issuing Letters of Authorization-MC 180 and SOC Letters-MC 180-2, for covered medical expenses incurred more than twelve months prior.

The Department of Health Care Services will be developing income eligibility worksheets, including the treatment of IRWEs or BWEs, for those programs that do not currently have one. Until such time as those worksheets become available, use the following Supplemental Security Income/State Supplemental Payment definition and methodology in determining eligibility:

**Definition:** IRWE or BWEs are expenses for items or services which are directly related to enabling a person with a disability or blindness to work and which are necessarily incurred by that individual because of a physical, visual or mental impairment. An expense may meet the criteria for an IRWE or BWE even if it also is used for daily activities other than work. The expense must not be reimbursable by another source such as Medicare or private health insurance. In the event that the beneficiary has other health coverage, it is the beneficiary's obligation to provide documentation that the BWE or IRWE was not reimbursable.

Attachment 1 contains a chart that provides examples of some of the most common BWEs and IRWEs.

The IRWE exclusion is applied to earned income immediately after deducting any portion of the general income exclusion which has not been deducted from unearned income, and the \$65 earned income exclusion, and immediately before deducting one-half of the remaining earned income.

The BWE is applied to earned income after deducting any portion of the general income exclusion that has not been deducted from unearned income and the \$65 earned income exclusion. Unlike the IRWE, the BWE exclusion is made after deducting one-half of the remaining earned income.

Please see Attachment 2 for a more detailed explanation of how the income exclusions are applied for IRWEs and BWEs. Also, please note that BWEs and IRWEs are deducted from earned income before determining whether the Substantial Gainful Activity level is met.

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Both the IRWE and BWE exclusions apply only to earned income the individual receives during the month and are never deducted from unearned income.

If you have any questions or if we can provide further information, please contact Joel Thomas at (916) 327-0409 or by email at [Joel.Thomas@dhcs.ca.gov](mailto:Joel.Thomas@dhcs.ca.gov).

Original Signed By

Tara Naisbitt, Chief  
Medi-Cal Eligibility Division

Attachments

## Attachment 1 List of Type and Amount of Deductible Work Expenses

The following chart provides examples of expenses that are deductible as Blind Work Expenses (BWE), Impairment Related Work Expenses (IRWE), or both, and the amount deductible. The chart is not intended to be all-inclusive.

TYPE OF EXPENSE	DEDUCTIBLE AS		AMOUNT DEDUCTIBLE
	BWE	IRWE	
Attendant care services which are rendered in the: home, process of assisting an individual in making the trip to and from work or work setting.	X	X	The amount deductible under <a href="#">DI 10520.010A</a> . <b>NOTE:</b> <a href="#">DI 10520.030B.3</a> for documentation required when a family member performs the attendant care services. See <a href="#">DI 10520.015E</a> regarding proration of attendant care expenses.
Drugs and medical services which are essential to enable the individual to work.	X	X	The amount paid.
Expendable medical supplies: Bandages, catheters, face masks, incontinence pads.	X	X	The amount paid.
Federal, State and local income taxes and Social Security and Medicare taxes.	X		The amount withheld. Assume the amount withheld reflects the individual's tax liability.
Dog Guide.	X	X	The cost of purchasing the dog and all associated expenses (e.g., its food, breast straps, licenses, veterinary services, etc.).
Fees. <b>Examples:</b> Licenses, Professional association dues, Union dues.	X		The amount paid.
<u>Mandatory</u> contributions. <b>Examples:</b> Pensions, Disability Insurance.	X		The actual amount of the <u>mandatory</u> contribution.
Meals consumed during work hours.	X		The actual value of the meals whether purchased during work hours or brought from home.
<b>Medical devices – Examples:</b> Braces, Inhalers, Pacemaker, Respirator, Wheelchair.	X	X	The cost of the items plus maintenance and repair of such items whether the individual works at home or at the employer's place of business.
Non-medical equipment/services: Air cleaners, air conditioners, child care costs, humidifiers, portable room heaters, posture chairs, safety shoes, tools used on the job,	X	*	The cost of the item plus maintenance and repair. *To be deductible as an IRWE, the item or service must be impairment-related.

**Attachment 1**  
**List of Type and Amount of Deductible Work Expenses**

TYPE OF EXPENSE	DEDUCTIBLE AS		AMOUNT DEDUCTIBLE
	BWE	IRWE	
uniforms.			
Other work-related equipment/services: Job coaching fees, one-handed typewriters, Special tools designed to accommodate an individual's impairment, telecommunications devices for the deaf. <ul style="list-style-type: none"> <li>• Translation of materials into Braille</li> <li>• Typing aids (e.g. page turning devices)</li> <li>• Vision and sensory aids for the blind</li> </ul>	X	X	The cost of the item plus maintenance and repair of such item whether the individual works at home or at the employer's place of business.
Physical therapy	X	X	The amount paid.
Prosthesis	X	X	The cost of the item plus maintenance and repair of such item.
Transportation to and from work.	X	X	<b>BWE</b> In own vehicle: the applicable allowance, or, if more advantageous, the standard mileage rate permitted by IRS For other than in own vehicle: the actual cost of the bus, car pool, or cab fare.
Vehicle modification	X	X	

## Attachment 2

### SI 00820.540 Impairment-Related Work Expenses

#### Citations:

Sections 1611, 1612(b), 1614(a), 1619(a), and 1619(b) of the Social Security Act, P.L. 99-643, P.L. 101-508, 20 CFR 416.976, 20 CFR 416.1112, PPS-114/SSR 84-26

#### A. Definition

IRWE are expenses for items or services which are directly related to enabling a person with a disability to work and which are necessarily incurred by that individual because of a physical or mental impairment.

#### B. Policy - December 1, 1990 and Later

##### 1. General

Effective December 1, 1990, we may deduct IRWE to determine countable earned income in both initial claims and post eligibility situations regardless of whether we previously established the person's eligibility without considering IRWE. (See [SI 00820.540C](#) below for policy guidelines for periods prior to December 1990.)

##### 2. Eligibility Requirements

A payment for a service or item is excludable as IRWE for SSI payment/ eligibility purposes when:

- the individual:
  - is disabled (but not blind); **and**
  - is under age 65; **or**
  - received SSI as a disabled individual (or received disability payments under a former State plan) for the month before attaining age 65; **and**
- the severity of the impairment requires the individual to purchase or rent items and services in order to work; **and**
- the expense is reasonable; **and**
- the cost is paid in cash (including checks or other forms of money such as money orders, credit and/or charge cards) by the individual and is not reimbursable from another source (e.g., Medicare, private insurance); **and**
- the payment is made in a month the individual receives earned income for a month in which he/she **both** worked **and** received the services or used the item; **or** the individual is working but makes a payment before the earned income is received.  
(See [SI 00820.560B](#) for instructions on deducting expenses paid while working. See [SI 00820.560C](#) for instructions on deducting expenses paid prior to work. For instructions on deducting expenses paid after work has stopped, see [SI 00820.560D](#).)

##### 3. IRWE Used for Other Daily Activities

An expense may meet the criteria for an IRWE even if it also is used for daily activities other than work.

##### 4. Application of Exclusion

- a. The IRWE exclusion only applies to earned income. IRWE in excess of the earned income an individual receives during the month are never deducted from unearned income. (See [SI 00820.560](#) for allocating expenses.)
- b. The IRWE exclusion is applied to earned income in the sequence below:
  - immediately **after** deducting:
    - any portion of the general income exclusion which has not been deducted from unearned income; **and**
    - the \$65 earned income exclusion; **and**
  - immediately **before** deducting one-half of the remaining earned income.

## Attachment 2

**NOTE:** IRWEs are an exclusion to earned income, not a deduction. To input IRWE exclusions in MSSICS, enter a (Y) to the question “Do you have any special expenses related to your illness or injury that you paid which are necessary for you to work” on the INEQ screen. The expenses are input on the IBIE screen. (Do not code IRWE exclusions on the IWAG screen under deductions.)

See also:

MSOM MSSICS 016.005 (INEQ)

MSOM MSSICS 016.006 (IBIE)

### 5. SGA Determinations

- a. IRWE may be deducted from earned income when determining substantial gainful activity (SGA) for initial title II and title XVI situations and in title II continuing eligibility situations. (See [DI 10520.001](#) ff. for SGA.)
- b. For concurrently eligible individuals, the amount deducted for **SGA purposes**, must be the same for both title II and title XVI.
- c. The amount excluded in the SSI payment/eligibility computations may differ from the amount used to determine SGA due to the use of other exclusions. (See [SI 00820.545](#) for information on the interaction of IRWE and other provisions.)
- d. The same rules are applied for SGA purposes and SSI payment/ eligibility purposes when determining:
  - o whether an item or service meets IRWE criteria; and
  - o the value of the item or service.

### C. Policy - Pre-December 1, 1990

#### 1. General

For an item or service to be considered an IRWE, the criteria in [SI 00820.540A](#) and [SI 00820.540B.2](#) - [SI 00820.540B.5](#). must be met, and the individual who is disabled must be **initially eligible** for SSI as described in [SI 00820.540C.2](#).below..

#### 2. Initial Eligibility

To qualify as initially eligible, for purposes of the IRWE exclusion, an individual must meet:

- all SSI non income criteria; and
- the SSI (Federal) income test (i.e., total countable income **without** benefit of the IRWE exclusion, must be at or below the federal benefit rate (FBR)).

Once initial eligibility is established, the IRWE exclusion is used for computation purposes.

#### 3. Continuous Eligibility

- a. An individual remains qualified for the use of IRWE for so long as he/ she is **continuously eligible for an SSI benefit** (whether or not the individual alleges working or having IRWE).
- b. An individual remains continuously eligible if the individual:
  - o continues to meet all SSI non-income criteria, and
  - o has total countable income, with use of the IRWE exclusion, that does not exceed the FBR **plus** any applicable federally administered optional State supplementation; **or** is eligible under section 1619(b).
- c. Ineligibility for SSI benefits for even 1 month necessitates the individual reestablishing federal eligibility without using IRWE.

## Attachment 2

- d. If an eligible individual enters a Medicaid institution (FLA-D) and remains eligible, but a benefit is not payable because of the \$30/month payment limit (E01), the individual is considered continuously eligible for the IRWE exclusion.

### **SI 00820.535 Blind Work Expenses**

#### **Citations::**

Sections 1611 and 1612(b) of the Social Security Act, 20 CFR 416.1112

#### **A. DEFINITION**

BWE represent any earned income of a blind person which is used to meet any expenses reasonably attributable to earning the income.

#### **B. POLICY**

##### **1. Eligibility Requirements**

BWE are deducted from earned income if the blind person:

- is under age 65; or
- is age 65 or older; and
- received SSI payments due to blindness (or received payments under a former State plan for aid to the blind) for the month before attaining age 65.

##### **2. Application of Exclusion**

- a. The BWE exclusion applies only to earned income. BWE in excess of the earned income an individual receives during the month are never deducted from unearned income.
- b. The BWE exclusion is applied to earned income immediately after applying:
  - any portion of the general income exclusion which has not been deducted from unearned income; and
  - all other earned income exclusion except the exclusion of income used to fulfill an approved plan for achieving self-support (PASS).

**NOTE:** BWEs are an exclusion to earned income, not a deduction. To input BWE exclusions in MSSICS, enter a (Y) to the question "Do you have any work expenses" on the INEQ screen. The expenses are input on the IBIE screen. (Do not code BWE exclusions on the IWAG screen under deductions.)

See also:

MSOM MSSICS 016.005 (INEQ)

MSOM MSSICS 016.006 (IBIE)

##### **3. Deductible Items**

- a. Except for items in 4. below, the cost of any work-related item paid by a blind person may be deducted as BWE, regardless of:
  - any non-work benefit that may be derived from the item; **or**
  - the item's relationship to the person's blindness.
- b. A blind individual may claim the amount withheld for Federal, State, and local income taxes, and Social Security and Medicare taxes even though other factors may affect his or her tax liability (e.g., number of dependents, business loss, etc.).
- c. Examples of items which may be deductible as BWE are identified in [SI 00820.555](#).



## Attachment 2

### 4. Nondeductible Items

The following items cannot be deducted from earned income as BWE:

- In-kind payments
- Expenses deducted under other provisions (e.g., PASS)
- Expenses which will be reimbursed
- Life maintenance expenses. Although not all inclusive, life maintenance items include the following:
  - meals consumed outside of work hours;
  - self-care items (including items of cosmetic rather than work-related nature);
  - general educational development;
  - savings plans (e.g., Individual Retirement Accounts (IRA'S) or voluntary pensions);
  - life and health insurance premiums
- Items furnished by others that are needed in order to work (the value of such items is not income)
- Expenses claimed on a self-employment tax return (see [SI 00820.545B.1](#) for further discussion regarding this issue)

**EXAMPLE:** Mrs. Beneficiary, a blind individual, works as a typist. A community organization bought her a special typewriter that she needed to perform satisfactorily on the job. The value of the typewriter is not income to Mrs. Beneficiary , nor is it deducted as a BWE since she did not pay for it.

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<http://policy.ssa.gov/poms.nsf/lnx/0500820535>