RICHARD FIGUEROA, JR.
ACTING DIRECTOR

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

GAVIN NEWSOM
GOVERNOR

January 31, 2020

TO: ALL COUNTY WELFARE DIRECTORS Letter No.:20-02
ALL COUNTY ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY PUBLIC HEALTH DIRECTORS
ALL COUNTY MENTAL HEALTH DIRECTORS
ALL CONSORTIA/SAWS PROJECT MANAGERS

SUBJECT: Income Disregard for the Aged, Blind & Disabled Federal Poverty Level Program

(References: All County Welfare Directors Letters, Numbers 00-57, 01-18, 02-22, 02-22E, 02-38, 07-01, 08-42, and 17-03; Welfare & Institutions Code §14005.40; Title 22, California Code of Regulations, Sections 50549, 50551.3, 50555.2, and 50601 – 50605; Senate Bill 104 (Chapter 67, Statutes of 2019)

Purpose

The purpose of this All County Welfare Directors Letter (ACWDL) is to provide counties and the Statewide Automated Welfare System (SAWS) with guidance regarding changes to the income disregard for the Aged, Blind & Disabled Federal Poverty Level (ABD FPL) program (also known as the Aged & Disabled Federal Poverty Level program). These changes, effective August 1, 2020 and approved by the Centers for Medicare and Medicaid Services (CMS) in a State Plan Amendment, are the result of Senate Bill (SB) 104 (Chapter 67, Statutes of 2019), enacted July 9, 2019, which increases the income disregard of all countable income above 100 percent up to 138 percent of the Federal Poverty Level (FPL) for aged, blind and disabled individuals. The operational impact will be to increase the effective ABD FPL program limit to 138 percent of the FPL and to remove the standard disregard amounts of $230.00 for an individual and $310.00 for a couple.

Background

In 2000, the Governor's budget authorized funds for California's ABD FPL program, and the program was implemented effective January 1, 2001. The Department of Health Care Services (DHCS) issued ACWDL 00-57 with instructions to counties and the

MC 176 AD form to use in calculating eligibility as well as Notice of Action (NOA) language.

In 2019, several health care measures were consolidated in SB 104. This ACWDL addresses only the portion of SB 104 that amended Welfare & Institutions Code (WIC) §14005.40. SB 104 amended WIC §14005.40 to increase the ABD FPL program income limits by increasing the income disregard of all countable income above 100 percent up to 138 percent of the FPL and by removing the standard disregard amounts of $230.00 for an individual and $310.00 for a couple. Implementation of this legislation will make some individuals eligible for the ABD FPL program who previously qualified for the Medically Needy (MN) program with a share of cost (SOC), or the 250% Working Disabled Program with a monthly premium, or another eligibility group that is lower in the Medi-Cal hierarchy pursuant to ACWDL 17-03. For those individuals newly eligible for the ABD FPL program, the DHCS will begin paying their Medi-Cal managed care capitation and Medicare Part B premiums under the Medicare buy-in program.

Policy

Effective August 1, 2020 when determining eligibility for the ABD FPL program, counties are instructed to implement the following changes to the ABD FPL program methodology. Counties shall no longer allow the standard disregard amounts of $230.00 for an individual and $310.00 for a couple, and shall compare countable income to 138 percent of the FPL, instead of 100 percent FPL, for the applicable family size.

While the methodology of the program is changing to reflect the increased income disregard and to remove the standard income disregard amounts as outlined in this ACWDL, all other characteristics of the program remain the same.

ABD FPL Program Reminders

The following policies do not change with the implementation of the ABD FPL expansion. Counties shall continue to apply these rules when completing an ABD FPL eligibility determination:

- As stated in ACWDL 02-38, question 7, where a couple might qualify for the ABD FPL program, the options will continue unchanged under the program expansion. If the couple is eligible, both individuals will become beneficiaries of ABD FPL. If both cannot qualify as a couple for the ABD FPL program, counties will continue to run a budget on the ineligible spouse and then a budget on both spouses separately to see which is the better option for the particular couple. The couple may choose which individual will apply for the program. The individual who chooses not to be on ABD FPL may choose not to receive Medi-Cal, or the individual may qualify through the MN program with a SOC. The individual may also be evaluated for eligibility for another Medi-Cal program. It is possible for a couple to be in two different Medi-Cal programs.

- Determine the eligibility of ABD FPL applicant/beneficiaries using the income and property rules of the MN program, which require the counties to allocate Public Assistance and other Public Assistance spouses (see ACWDL 08-42). All deductions used in the ABD FPL program prior to the expansion will continue to apply.

- Apply all applicable program deductions and disregards, including: the $20.00 Any Income, health insurance premiums, and, where the applicant/beneficiary has earned income, the $65.00 and one-half Earned Income deductions. (See WIC §14005.40; Title 22, California Code of Regulations, Sections 50549, 50551.3 and 50555.2)

- Apply the Maintenance Need Allowance disregard for the spouse or other members of the Medi-Cal Family Budget Unit (MFBU) who are not enrolled in Medi-Cal. (Title 22, California Code of Regulations, Sections 50601 – 50605)

- Disregard annual Social Security Administration Title II cost-of-living adjustments (COLA) from January of each year until the effective FPL increases are issued (generally in April each year). (See ACWDL 02-38)

- Refer blind applicant/beneficiaries to the Disability Determination Service Division within the California Department of Social Services to determine whether they meet disability criteria if not determined blind under the Title II program.

- Evaluate children who are disabled for the ABD FPL program because disabled individuals in the program are not subject to an age limitation. (See ACWDL 01-18)

- The Medicare Part B buy-in program is not altered as a result of this program expansion. The DHCS continues to participate in a Medicare buy-in agreement with CMS. The agreement requires DHCS to pay the Medicare Part B premium for all cash grant and medical assistance-only beneficiaries, including ABD FPL beneficiaries. As stated in ACWDL 02-38, Medi-Cal beneficiaries cannot choose to pay their own Medicare Part B once buy-in starts in order to become [or remain] eligible for the ABD FPL program.

Examples Illustrating the New Methodology

Example 1: Methodology for Individual Applicant

An individual applies for Medi-Cal and the individual's sole source of income is Social Security retirement in the monthly amount of $1,350. The individual pays their monthly Part B premium of $135.50 at the time of application.[1] The calculations for their determination would be the following.

Gross unearned	$1,350.00
Any Income deduction	- $20.00
Part B premium deduction	- $135.50
Countable income (rounded)	$1,195.00

Compare to 138% FPL for family size of one = Eligible

Note: At the time of this example, 138% of FPL for one person is $1,437.00.

In this example, the deductions are applied. The resulting countable income then is compared to the 138% FPL limit. If it is equal to or less than that limit, the individual is eligible. If it is above that limit, the individual does not qualify for this program. In this example, the individual is eligible because their countable income is within the limit.

Example 2: Methodology for Married Couple with One Spouse Applicant

One spouse applies for Medi-Cal, and Spouse 1 (applicant) has monthly income of $800.00 in Social Security disability income and a $400.00 pension. Spouse 2 (non-applicant spouse) has $760.00 in pension related income monthly. Spouse 1 pays their monthly Part B premium of $135.50 at the time of application.[2] The calculations for their determination would be the following.

Gross unearned income:

Spouse 1	Spouse 2
$800.00	$760.00
+ $400.00	+ $0.00
$1,200.00	$760.00

[1] The Part B deduction is allowed only until the State begins paying the Medicare buy-in, at which time the deduction no longer is allowed.
[2] Ibid .

Combined unearned income	$1,960.00
Any Income deduction	- $20.00
Part B premium deduction	- $135.50
Deduction for ineligible family members	- $600.00[3]
Countable income (rounded)	$1,205.00

Compare to 138% FPL for family size of one = Eligible

Note: At the time of this example, 138% of FPL for one person is $1,437.00.

In this example, the applicant and non-applicant spouses' gross income is combined, and then the deductions are applied. A $600.00 deduction for an ineligible family member is applied. The resulting countable income then is compared to the 138% FPL limit for one person. In this example, the applicant is eligible because their countable income is within the limit.

Example 3: Methodology for Married Couple with Both Spouse Applicants

Both spouses apply for Medi-Cal. Monthly income for Spouse 1 is $1,300.00 in Social Security retirement and this spouse pays their monthly Part B premium of $135.50 at the time of application. Spouse 2 receives monthly income of $650.00 in Social Security disability benefits and pays their monthly Part B premium of $135.50 at the time of application.[4] Spouse 2 also pays $30.00 per month for a supplemental dental insurance plan.The calculations for their determination would be the following.

Gross unearned income:

Spouse 1	Spouse 2
$1,300.00	$650.00

Combined unearned income	$1,950.00
Any Income deduction	- $20.00
Part B premium deduction	- $135.50 (Spouse 1)
Part B premium deduction	- $135.50 (Spouse 2)
Deduction for dental insurance premium	- $30.00
Countable income	$1,629.00

Compare to 138% FPL for two people = Eligible

Note: At the time of this example, 138% of FPL for two people is $1,945.00.

[3] Referred to on page 3 as the "Maintenance Need Allowance disregard."

[4] The Part B deduction is allowed only until the State begins paying the Medicare buy-in, at which time the deduction no longer is allowed.

In this example, the gross income of both applicant spouses is combined, and then the deductions are applied. Both spouses pay Part B premiums and those deductions are applied. One of the spouses also pays a dental insurance premium, which is deducted. The resulting countable income then is compared to the 138% FPL limit for a family size of two. The applicants are eligible because their countable income is within the limit.

Example 4: Methodology for Married Couple with Both Spouse Applicants and Both Earned and Unearned Income

Both spouses apply for Medi-Cal. Monthly income for Spouse 1 is $1,100.00 in Social Security retirement and $600.00 from a pension. Spouse 2 has a part-time job and receives $500.00 in earned income monthly. Both spouses pay their monthly Part B premium of $135.50 at the time of application.[5] The calculations for their determination would be the following.

Unearned income:

Spouse 1
$1,100.00
+ $600.00
$1,700.00

Total unearned income	$1,700.00
Any Income deduction	- $20.00
Net unearned income	**$1,680.00**

Earned income:

Spouse 2
$500.00

Total earned income	$500.00
Earned income deduction	- $65.00
½ earned income deduction	- $217.50
Net earned income	**$217.50**

[5] ibid.

Net unearned income	$1,680.00	
Net earned income	+ $217.50	
Total net income	$1,897.50	
Part B premium deduction	- $135.50	(spouse 1)
Part B premium deduction	- $135.50	(spouse 2)
Countable income (rounded)	$1,627.00	

Compare to 138% FPL for family size of two = Eligible

Note: At the time of this example, 138% of FPL for two people is $1,945.00.

In this example, the unearned income of both applicant spouses is combined, and the Any Income deduction is applied. Because one spouse has earned income, the $65.00 earned income deduction is applied, and then the remaining amount is halved under the one-half earned income portion of that deduction. The net unearned income and earned income of the spouses is combined, and the remaining deductions are applied. The resulting countable income then is compared to the 138% FPL limit for a family size of two. The applicants in this example are eligible because their countable income is within the limit.

Example 5: Methodology for Married Couple with One Spouse Applicant and Both Earned and Unearned Income

One spouse applies for Medi-Cal, and the applicant's monthly income is $1,500.00 in Social Security retirement income, and the applicant pays their monthly Part B premium of $135.50 at the time of application.[6] The non-applicant spouse has $500.00 in monthly pension income as well as $700.00 per month from part-time work. The non-applicant spouse incurs $100.00 in health insurance premiums each month. The calculations for their determination would be the following.

Unearned income:

Applicant Spouse	Non-Applicant Spouse
$1,500.00	$500.00

Combined unearned income	$2,000.00
Any Income deduction	- $20.00
Net unearned income	**$1,980.00**

[6] ibid.

Earned income:

Non-Applicant Spouse
$700.00

Total earned income	$700.00
Earned income deduction	- $65.00
½ earned income deduction	- $317.50
Net earned income	**$317.50**

Net unearned income	$1,980.00
Net earned income	+ $317.50
Total net income	$2,297.50
Part B premium deduction	- $135.50
Health insurance premium deduction	- $100.00
Deduction for ineligible family members	- $600.00[7]
Countable income	$1,462.00

Compare to 138% FPL for family size of one = Ineligible

Note: At the time of this example, 138% of FPL for one person is $1,437.00.

In this example, the unearned income of both applicant spouses is combined, and the Any Income deduction is applied. Because one spouse has earned income, the $65.00 earned income deduction is applied, and then the remaining amount is divided by two under the one-half earned income portion of this deduction. The net unearned income and earned income is combined, and the remaining deductions are applied. The resulting countable income then is compared to the 138% FPL limit for a family size of one. The applicant in this example is not eligible because their countable income is over the limit. The applicant must be evaluated for other Medi-Cal programs pursuant to ACWDL 17-03.

[7] Referred to on page 3 as the “Maintenance Need Allowance disregard.”

Implementation

Counties and SAWS shall take the following steps to implement the new methodology.

- Discontinue using the MC 176 AD form, which was published in ACWDL 00-57. DHCS will issue a revised paper budget to reflect the new methodology at a later date.
- SAWS must make programming changes to automate the new methodology as outlined in this ACWDL in the August 2020 release. SAWS are to leverage existing NOA snippets for this implementation. DHCS will continue to work with SAWS to facilitate the programming of these provisions.
- Impacted beneficiaries shall have eligibility recalculated for the month of August 2020 (regarded as a retroactive eligibility determination in SAWS). Counties shall issue the MC 1054 letter and apply the Conlan beneficiary reimbursement process, where appropriate, for beneficiaries whose SOC has been certified in the Medi-Cal Eligibility Data Systems (MEDS) for the month of August 2020. Refer to ACWDL 07-01 for additional information.
- New enrollees can request retroactive Medi-Cal coverage for up to three months prior to the month of application. However, retroactive coverage using the new methodology for the ABD FPL program will be available effective August 1, 2020. ABD FPL applicants who request retroactive coverage for any month(s) prior to August 2020 will be determined using eligibility policies in effect prior to implementation of the new methodology.
- The implementation/effective date of the increased income disregard is August 1, 2020, and there will be no retroactive implementation prior to August 1, 2020.

DHCS will continue to publish the annual amounts of the Social Security AdminstrationTitle II COLA increases as well as the annual limits and disregards for the ABD FPL program in ACWDLs each year.

If you have any questions about this letter or if we can provide further information, please contact the following staff:

Barbara Schmitz	(916) 345-8070	Barbara.Schmitz@dhcs.ca.gov
Derek Soiu	(916) 345-8193	Derek.Soiu@dhcs.ca.gov
Daniela Gutierrez	(916) 345-8501	Daniela.Gutierrez@dhcs.ca.gov

Original Signed By

Sandra Williams, Chief
Medi-Cal Eligibility Division