reevaluated for other Medi-Cal programs, such as the AFDC-MN program. If the county cannot make this determination in a timely manner, the family must be placed into Aid Code 38 (Edwards) or Aid Code 3C. Counties shall evaluate the family for other Medi-Cal-Only programs if eligibility ends under the Section 1931(b)-Only component.

SNEEDE REQUIREMENTS

The requirements of the Sneede lawsuit apply to the Section 1931(b) determination. That is, there is a mandatory exception to using the modified July 16, 1996 AFDC methodology. This exception relates to the Medi-Cal Sneede lawsuit which limits financial responsibility to a spouse for a spouse or a parent for a child. Such prohibitions did not exist in the AFDC program, but the Health Care Financing Administration indicated that Sneede must apply to the Section 1931(b) program as it does for all other Medi-Cal programs.

This means that if a family is determined ineligible for Section 1931(b) rules because of excess property or failure to meet the MBSAC income test, Sneede provisions apply if there is a Sneede class member.

Generally, the same Sneede methodology used in the regular Medi-Cal program is followed under Section 1931(b) except for the following:

- Income exceptions: Under regular Sneede, deductions for the aged, blind, and disabled are applicable. These deductions are not permitted in the Section 1931(b) Sneede determination. Under regular Sneede, the SOC is based on the Maintenance Need Income Level (MNIL) (or prorated amount), and a parental needs amount of $600 (which relates to the MNIL for one) is allowed for the parent before the parent allocates to others for whom that parent is responsible. Under Section 1931(b) Sneede, income eligibility is based on the MBSAC (or its prorated amount) and the parent is allowed a $370 parental needs deduction from January 1, 1998 to June 30, 1998 (which relates to the MBSAC for one as specified in the AFDC Title IV-A State Plan in effect on July 16, 1996) (or a $381 parental needs deduction from July 1, 1998) before allocating to others.

  NOTE: THE $240 DEDUCTION AS DESCRIBED IN THE INCOME ATTACHMENT IS NOT APPLIED TO APPLICANTS. THE "½" EARNED INCOME DEDUCTION IS NOT APPLIED TO APPLICANTS EITHER.

- Property exception: Under regular Sneede, property eligibility is based on the property limits under the regular Medi-Cal program (or a prorated amount). These property limits increase according to family size. Because Sneede does not apply to MFBUs with only one person, the property limits under Section 1931(b) Sneede are the same as under regular Sneede.

The following forms are being developed to assist counties in the Section 1931(b) Sneede determinations:

1. Attachment 3.1 - "1931(b) Determinations Sneede v. Kizer Prorated MBSAC and Property Levels - July 1, 1998"

   This form contains the prorated amounts of income and property for use in determining certain mini budget units' prorated income and property amounts from January 1, 1998 to June 30, 1998.

2. Attachment 3.2 - "1931(b) Determinations Sneede v. Kizer Prorated MBSAC and Property Levels - January 1, 1998 - June 30, 1998"

   This form contains the prorated amounts of income and property for use in determining certain mini budget units' prorated income and property amounts from July 1, 1998.

3. Attachment 3.3 - "Section 1931(b) Sneede v. Kizer Net Nonexempt Income Determination and Mini Budget Unit (MBU) Determination"

4. Attachment 3.4 - "Section 1931(b) Sneede v. Kizer Property Worksheet"

TRANSITIONAL MEDI-CAL (TMC) PROGRAM

PRWORA provides that recipients of the Section 1931(b) program (in California the cash-based Section 1931(b) or Section 1931(b)-Only components) who are discontinued for certain reasons are eligible for the TMC program. To be eligible for the TMC program the individual must: (1) have been eligible for the Section 1931(b) program in three of the six months preceding the month in which cash-based Section 1931(b) or Section 1931(b)-Only eligibility is lost, and (2) have lost their Section 1931(b) program eligibility for employment related reasons. The employment related reasons that apply to the Section 1931(b) program in California are increased earnings. While PRWORA includes loss of a time-limited earned income disregard or hours of

employment as employment related reasons, there are no time-limited earned income disregards that apply to California's Section 1931(b) program, nor does the 100-hour rule apply to Section 1931(b) recipients.

Some of the eligibility criteria for the Section 1931(b) program are less restrictive than the CalWORKs criteria (for example the Dependent Care Deduction applies to the Section 1931(b) program but not to CalWORKs); therefore, persons discontinued from CalWORKs for employment related reasons may continue to be eligible for the Section 1931(b)-Only component and so would not be eligible for TMC.

The following three examples illustrate situations in which the family may or may not be eligible for TMC coverage:

Example 1. A family received CalWORKs and automatic cash-based Section 1931(b) for 18 months. The parents were terminated because the time limit to receive aid expired, but the children continued on CalWORKs and cash-based Section 1931(b). The parents were determined eligible for Section 1931(b)-Only (Aid Code 3N). In the next month, because the PWE's earnings increased, the family was terminated from cash-based Section 1931(b)/Section 1931(b)-Only. Because the family was eligible for Section 1931(b) in three of the last six months, the family is entitled to TMC.

Example 2. A family is receiving CalWORKs/cash-based, Section 1931(b). The PWE just started working over 100 hours. Because the PWE is a Section 1931(b) beneficiary, he would not be subject to the 100-hour rule as explained in the above section on Deprivation. However, assume the increase in earnings makes the family ineligible for CalWORKs. The county evaluates the family for Section 1931(b)-Only. Assume the family's income does not exceed the Section 1931(b)-Only limits. This family is on Section 1931(b)-Only and does not need TMC.

Example 3. A family was receiving Medi-Cal-Only (AFDC-MN) with no SOC after January 1, 1998, but before the Section 1931(b) program was implemented. The PWE's employer increased his/her job duties to over 100-hours and earnings increased. The family is no longer eligible for AFDC-MN because the child(ren) is no longer considered deprived. The county determines during the retroactive Section 1931(b) case reviews that the family would have been eligible under Section 1931(b) in the three months before the 100-hour rule was exceeded under the MN program, and <u>before</u> current earnings increased and exceeded the

Section 1931(b) income limits. The family, therefore, is now eligible for TMC beginning in the month AFDC-MN eligibility stopped.

If TMC is appropriate, TMC begins in the month immediately following the last month of Section 1931(b) eligibility. Counties should deduct any months in which the family received zero SOC under Edwards or any other zero SOC aid code from the 12-month TMC limit.

FOUR-MONTH CONTINUING (Aid Code 54)

Four-month Continuing Medi-Cal will apply to Section 1931(b)-Only recipients as well as CalWORKs cash-based 1931(b) recipients if they are terminated due to the collection or increased collection of child or spousal support payments (see Section 50243, Title 22, California Code of Regulations).

New approval notices of action have been developed for Four-month Continuing and TMC which incorporate Section 1931(b) language. Camera-ready copies will be sent in a different ACWDL. Counties may continue to use the same Medi-Cal denial or discontinuance notice (MC 239 TMC-2) for those families discontinued from TMC.

FORMS

Camera-ready copies of forms such as those for Sneede or the Vehicle Determination Worksheet will be sent in a subsequent ACWDL.

IMPLEMENTATION

New Applications: All new Medi-Cal applications for families and children are to be evaluated for the Section 1931(b) program beginning no later than January 1, 1999. As counties handle these cases, they are to be evaluated for current and future Section 1931(b) eligibility.

Ongoing Cases: Because CalWORKs was effective January 1, 1998, the new Section 1931(b) provisions also went into effect on January 1, 1998. For this reason, retroactive eligibility for all AFDC-MN, MI children, federal poverty level cases with infants and children and Aid Code 38 (Edwards) or Aid Code 3C cases with or without a SOC must be evaluated back to January 1, 1998. This is important in the event eligibility for Transitional Medi-Cal needs to be established.

Counties shall complete their evaluation of Aid Code 38/3C cases for Section 1931(b) eligibility by April 30, 1999. Counties shall complete their evaluation of all other cases for Section 1931(b) within one year, i.e., no later than December 31, 1999.

Pension Funds or Plans and Some KEOGHs In accordance with the FS Manual, Section 63-501(b) the cash value of pension funds or plans and inaccessible KEOGHs which involve a contractual relationship with individuals who are not MFBU members shall be exempt.

Independent Living Program Cash savings and interest accumulated pursuant to the Independent Living Program shall continue to be exempt in accordance with the EAS Manual, Section 42-213.2aa.

Lump Sum SSI/SSP Lump sum retroactive SSI/SSP payments shall be exempt for an unlimited period of time in accordance with the EAS Manual, Section 42-213.2t(3).

Retroactive Corrective Aid shall be exempt in accordance with the EAS Manual, Section 42-213h.

Nonrecurring Lump Sum Social Insurance Payments shall continue to be considered property in the month of receipt and/or exempt as described under Title 22, California Code of Regulations, Section 50455.

Other exempt payments or property under other federal laws shall be exempt if exempt under any of the three programs: Medi-Cal, AFDC on July 16, 1996 **or** the Food Stamp program.

Transfers **Medi-Cal transfer of property rules supersede any transfer of property rules of the CalWORKs program regardless of how CalWORKs handles such transfers.** Transfers of property by **institutionalized individuals** shall be considered in accordance with Department of Health Services' All County Welfare Directors Letters (ACWDLs) 90-01, 97-05 and 97-08. Where a transfer of property by a CalWORKs applicant or recipient has occurred anytime during or after the 30 months immediately preceding the date of application as an institutionalized individual or the date he or she became an institutionalized individual, **a separate Medi-Cal determination must be made.** Counties shall complete and retain the form "Period of Ineligibility For Nursing Facility Level of Care" [MC 176 PI (9/97) in the case record should the transfer be determined to be a disqualifying transfer. The institutionalized individual may be eligible only for restricted Medi-Cal benefits when there has been a disqualifying transfer and a period of ineligibility is imposed.

The following is a list of the regulations contained in Title 22, California Code of Regulations, that do NOT apply to eligibility determinations under the Section 1931(b) program. All County Welfare Directors Letters which relate to the following Sections also do not apply to the Section 1931(b) program.

50402 50412 50413 50416 50417 50418	50420(a) 50420.5 50421 50421.5 50423 50425	50426 50427 50428 50441 50453 50453.3	50426 50456 50457 50461 50463 50465	50467 50469 50471 50473 50475 50483	50485 50489 50489.1 50489.5 50489.9

The flowing is a list of regulations contained in Title 22, California Code of Regulations, that <u>DO</u> apply to eligibility determinations under the Section 1931(b) program as amended by All County Welfare Directors Letters.

50401 50403 50404 50405 50406	50407 50408 50409 50410 50411 50414	50415 50419 50420 (b-d) 50442 50443 50445 50446	50448 50448.5 50449 50451 50453.7 50454	50455 50476 50477 50479 50481 50487

Note: Temporary workers compensation payments (TWC) and state disability insurance payments (SDI) are earned income[1] for purposes of computing non-exempt and net non-exempt earned income for the Section 1931(b) program.

8. Subtract the "unused" fixed deductions that are part of the "$240 and ½ deduction" from the recipient MFBU's non-exempt **earned** income according to the instructions provided in Section V, below, of this Supplement. (This amount is entered on line 13 of the Section 1931(b) Recipient Program Budget Sheet.)

9. Reduce the non-exempt **earned** income from step #8 by 50 percent according to the instructions in Section V, below, of this Supplement.

10. Subtract the dependent care deduction, if applicable, from the remaining non-exempt **earned** income of the MFBU. (The result is entered on line 16 of the Section 1931(b) Recipient Program Budget Sheet.)

11. Add the:
    - Remaining non-exempt unearned income from step 3;
    - Remaining disability based income from step 5; and the
    - Remaining non-exempt earned income from step 10;

    and then subtract from this total any qualifying spousal or child support payments. Round down to the next nearest dollar. The result is the total **net non-exempt income** of the MFBU. (This amount is entered on line 19 of the Section 1931(b) Recipient Program Budget Sheet.)

12. Compare the net non-exempt income from step #11 with the Section 1931(b) Income Limits corresponding to the number of individuals in the MFBU. These income limits are provided in Table 1 and Table 2 in Appendix A to this Attachment. If the MFBU's net non-exempt income is less than the Section 1931(b) income limit, the MFBU is eligible for the Section 1931(b) program.

13. If the MFBU's is found to be ineligible under step #12, and one or more children in the MFBU receive income, or the parents are unmarried, eligibility for Section 1931(b) must be re-determined by applying the Sneede/Gamma rules. (See the Section in this ACWDL with the subheading "Sneede Requirements" for a discussion of Sneede requirements). Any of the Sneede mini-budget units of the

---

[1]Although CalWORKs has defined TWC and SDI as disability-based, unearned income, TWC and SDI were earned income under the AFDC program as a result of a court order. Section 1931(b) program will continue to treat TWC and SDI as earned income, not as disability based income. Treatment of TWC and SDI as earned income may result in a more "liberal" treatment than would result if TWC and SDI were categorized, as they are in the new CalWORKs program, as unearned, disability-based income, because certain earned income exemptions and deductions may apply.

MFBU not eligible for Section 1931, must also have its eligibility for Medi-Cal evaluated under the medically needy, and, if appropriate, the Medi-Cal percentage programs.

SECTION V: THE NEW DEDUCTION FOR THE EARNED AND "DISABILITY BASED" INCOME OF RECIPIENTS

The Section 1931(b) program is adopting a deduction that is applicable to the earned income and disability-based income of recipients. The deduction does not apply to applicants. The deduction is made up of two parts: a fixed amount of either $240 or $120 (see below), and a percentage amount of 50 percent. The deduction is called the "percentage" deduction.

If this deduction exceeds the amount of earned or disability income to which it applies, the amount of earned or disability income remaining after the deduction is "0". Never use a negative amount of income when determining the net nonexempt income of a MFBU. Deductions which apply to a specific kind of income cannot be used to offset other kinds of income. For example, suppose in a MFBU the mother earns $100 per month while the father receives $400 in Unemployment Insurance Benefits (UIB). The mother's earned income of $100 is subject to the $240 deduction described above. Only $100 of the $240 deduction can be used because the unused portion of the $240 cannot be applied to the father's UIB.

<u>Applying the Percentage Deduction To MFBUs With No More Than Two Persons With Earnings</u>:

1) Total the MFBU's non-exempt disability-based income and subtract the $240 deduction;

2) Total the MFBU's non-exempt earned income and subtract the unused portion of the $240 deduction (if any);

3) Decrease the remaining earned income by 50%.

<u>Applying the Percentage Deduction To MFBUs With Three Or More Persons With Earnings</u>:

1) Total the MFBU's non-exempt disability-based income and subtract the $240 deduction.

2) Total the non-exempt earned income of the two persons with the highest earned income and subtract the unused portion of the $240 deduction.

Section 1931(b) Determinations: Sneede v. Kizer **Attachment 3.1**
Prorated Income Standard and Property Levels

- July 1, 1998 -

Number of Children Number in MBU	One Parent		
	Income Standard	Prorated Income Standard	Property
1	624	312	1,500
2	775	517	2,100
3	920	690	2,475
4	1,049	840	2,760
5	1,180	984	3,000
6	1,296	1,111	3,215
7	1,412	1,236	3,413
8	1,531	1,361	3,600
9	1,662	1,496	3,780
10	1,676	1,524	3,819

Number of Children Number in MBU	Two Parent		
	Income Standard	Prorated Income Standard	Property
1	775	259	1,050
2	920	460	1,650
3	1,049	630	2,070
4	1,180	787	2,400
5	1,296	926	2,679
6	1,412	1,059	2,925
7	1,531	1,191	3,150
8	1,662	1,330	3,360
9	1,676	1,372	3,437
10	1,690	1,409	3,500

NOTE: **Add $14 for each additional person over 10 to determine higher Income Standards.**

Section 1931(b) Determinations: Sneede v. Kizer **Attachment 3.2**
Prorated Income Standard and Property Levels

- January 1, 1998 through June 30, 1998 -

Number of Children Number in MBU	One Parent		
	Income Standard	Prorated Income Standard	Property
1	607	304	1,500
2	754	503	2,100
3	895	672	2,475
4	1,020	816	2,760
5	1,147	956	3,000
6	1,260	1,080	3,215
7	1,373	1,202	3,413
8	1,489	1,324	3,600
9	1,616	1,455	3,780
10	1,630	1,482	3,819

Number of Children Number in MBU	Two Parent		
	Income Standard	Prorated Income Standard	Property
1	754	252	1,050
2	895	448	1,650
3	1,020	612	2,070
4	1,147	765	2,400
5	1,260	900	2,679
6	1,373	1,030	2,925
7	1,489	1,159	3,150
8	1,616	1,293	3,360
9	1,630	1,334	3,437
10	1,644	1,370	3,500

NOTE: Add $14 for each additional person over 10 to determine higher Income Standards.