STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY PETE WILSON, *Governor*

DEPARTMENT OF HEALTH SERVICES
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June 16, 1994

TO: All County Welfare Directors
All County Administrative Officers
All County Medi-Cal Program Specialists/Liaisons

Letter No.: 94-49

SAWYER V. SHALALA, ANDERSON, BELSHÉ, GOULD COURT CASE

The following policy is issued jointly by the Department of Social Services and the Department of Health Services.

The purpose of this All County Letter is to inform the county welfare departments (CWDs) about the Sawyer Court case and to transmit initial instructions. Plaintiffs in the Sawyer Court case have alleged that the Departments of Health Services (DHS) and Social Services (DSS) are illegally treating temporary biweekly Worker's Compensation payments (WCP) as unearned income. The lawsuit does not apply to one time permanent settlements of WCP.

Current Aid to Families with Dependent Children (AFDC) and Medi-Cal treatment of WCP as unearned income means that families receiving these payments do not receive the earned income disregards. If the current AFDC and Medi-Cal policy were changed to treat WCP as earned income making the earned income disregards applicable, AFDC recipients would receive greater AFDC benefits and Medi-Cal medically needy only (MNO) beneficiaries would have a lower share of cost.

The plaintiffs have requested that cases receiving WCP be flagged prior to a decision in Sawyer. The departments have agreed to flag these cases to respond (1) to plaintiffs and (2) to simplify implementation in the event of an adverse decision. CWDs are to begin the process of flagging these affected cases no later than July 1, 1994.

CWDs have a wide latitude in the method of flagging cases as long as the method used allows for the timely retrieval of cases. The AFDC or the MNO case worker is to flag all applications and ongoing cases when they become aware that the family receives or had been receiving WCP. Flagging may be electronic or manual or a combination of the two.

AFDC

The method for identifying ongoing cases receiving WCP is to be determined by each county. Methods for identifying existing cases include, but are not limited to: (1) utilization of a Budget Income Code or its equivalent, (2) a review of the CA-7 monthly reporting document, (3) case search, or (4) a review during redetermination.

MEDI-CAL

MNO cases receiving WCP are to be identified at one or more of the following times: (1) during the initial eligibility process for new cases, (2) at the redetermination for ongoing cases, (3) after reviewing the Medi-Cal Status Report Form (MC 176 S (1/92), or (4) when a beneficiary reports income changes, as required under the Medi-cal regulations.

If you have any questions regarding this letter and/or its impact on AFDC, please call Mr. Vincent Toolan at (916) 654-1808. If you have a question about this letter and its impact on Medi-Cal, please contact Mr. Dave Rappolee at (916) 657-0163.

Sincerely,

ORIGINAL SIGNED BY

Frank S. Martucci, Chief
Medi-Cal Eligibility Branch

ORIGINAL SIGNED BY

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DR:gf

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