STATE OF CALIFORNIA–HEALTH AND WELFARE AGENCY

PETE WILSON, Governor

DEPARTMENT OF HEALTH SERVICES
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September 20, 1996

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

Letter No.: 96-55

TREATMENT OF MOTOR VEHICLES

Ref.: Title 22, California Code of Regulations (CCR), Section 50461 McKnight v. McMahon Court Order

The purpose of this letter is to instruct counties of a change in the treatment and determination of the value of motor vehicles. These changes are required in order to comply with the requirements of the federal Social Security Act, Title XIX Section 1902(r)(2) [Title 42, United States Code, Section 1396(r)(2)] that Medi-Cal be "no more restrictive" than the cash assistance programs.

BACKGROUND:

On April 6, 1992, the Superior Court (San Francisco City and County) issued a decision in the McKnight v. McMahon case. The Court ruled that counties have the responsibility to determine a reasonable value for an applicant's/recipient's motor vehicle.

In addition, the Aid to Families with Dependent Children program does not reference the phrase "used for transportation" in relation to exempting a motor vehicle. References to "used for transportation" have been an ongoing source of confusion and misinterpretation. In order to be clear and consistent, references to "used for transportation" have been removed.

ACTION:

When the applicant/beneficiary disagrees with the net market value determined by using the State Department of Motor Vehicles license fee chart, the applicant/beneficiary is no longer required to obtain three appraisals by auto dealers, insurance adjustors, or personal property appraisers. Counties have the responsibility to determine a reasonable value for the vehicle. The methods and tools that may be used to determine the reasonable value include, but are not limited to:

- The market value determined by the wholesale "Kelley Blue Book",
- The market value determined by the "National Auto Dealers Association (NADA) Guide", or

- An estimate of market value obtained by the applicant or beneficiary from a disinterested knowledgeable source.

In addition, all references to "used for transportation" have been removed. This action will eliminate ongoing confusion and misinterpretation whenever a vehicle is in need of repair or used for the needs of an individual who is unable to drive.

Copies of the draft regulations have been enclosed for your convenience.

EFFECTIVE DATE:

These provisions shall be effective April 6, 1992. Counties shall implement these regulations no later than December 1, 1996 at application, redetermination, or whenever counties become aware that reasonable values have not been used to determine the value of the motor vehicle. As counties become aware of cases that were denied or discontinued, in whole or in part due to the counting of a motor vehicle's value, counties shall redetermine eligibility by applying the above instructions. If the case is determined eligible, the county shall rescind those denials or discontinuances and issue retroactive eligibility as appropriate.

If you have any questions regarding this issue, please contact Kathy Harwell at (916) 657-0146 or Sharyl Shanen-Raya at (916) 657-2942.

Sincerely,

ORIGINAL SIGNED BY

FRANK S. MARTUCCI, CHIEF
Medi-Cal Eligibility Branch

Enclosure

(1) Amend section 50461 to read:

50461. Motor Vehicles

(a) One motor or other vehicle ~~that is used for transportation~~ shall be exempt. ~~subject to the following conditions:~~

(b)~~(1)~~ The applicant or beneficiary shall be allowed to choose which ~~vehicle used for transportation~~ shall be exempt except that recreational ~~and commercial~~ business vehicles shall be considered ~~to be used for transportation~~ exempt under this section only if other motor vehicles are not available to provide transportation for the applicant or beneficiary.

~~(2) A vehicle owned by an applicant or beneficiary who no longer drives shall be exempt when other individuals use the vehicle to meet the transportation needs of applicant or beneficiary.~~

(c) The net market value of a motor vehicle ~~shall~~ may be determined by the following process:

(1) Determine the class of the motor vehicle.

(2) Determine the vehicle license fee which does not include registration or weight fees, using the class and the State Department of Motor Vehicles license fee chart.

(3) Multiply the vehicle license fee by 50. This is the market value of the motor vehicle.

(4) Subtract any encumbrances of record from the market value. This is net market value.

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(d) In those cases where the class of the motor vehicle is unknown or unavailable, the county department or the applicant or beneficiary ~~shall~~ may contact the State Department of Motor Vehicles to determine the class or license fee of the motor vehicle or the county may utilize any of the methods described in subsection (e) below for establishing the market value.

(e) In those cases where applicant or beneficiary does not agree with the net market value determined by using the State Department of Motor Vehicles license fee chart, the county may use:

~~(1) Three appraisals by auto dealers, insurance adjustors or personal property appraisers shall be submitted to the county department.~~

(1) the market value determined by the wholesale "Kelley Blue Book",

~~(2) The average of these appraisals shall be the market value.~~

(2) the market value determined by the National Auto Dealers Association (NADA) Guide, or

(3) an estimate of market value obtained by the applicant or beneficiary from a disinterested knowledgeable source.

(f)~~(3)~~ The net market value shall be the market value minus any encumbrances of record.

(g)~~(b)~~ The net market value of all nonexempt motor vehicles shall be included in the property reserve.

Note: Authority cited: Sections 10725 and 14124.5, Welfare and Institutions Code.
Reference: Title 42, United States Code, Section 1396(r)(2); and Sections 14005.4, ~~and~~ 14005.7 and 14006, Welfare and Institutions Code.

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