DEPARTMENT OF HEALTH SERVICES
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September 4, 1998

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

Letter No.: 98-38

RESTRICTED ACCOUNTS OF CALWORKS OR FORMER CALWORKS RECIPIENTS

Effective January 1, 1998, recipients of CalWORKS are allowed to retain from their cash reserves up to $5,000 in one or more restricted accounts. The $5,000 restricted account limit is in addition to the $2,000 ($3,000 where one or more individuals is 60 years of age or older) CalWORKS property limit. These accounts must be maintained at a financial institution, such as a bank or credit union and may not be commingled with other funds. Pursuant to the Balanced Budget Act of 1997, these restricted accounts shall not be considered in establishing eligibility for any other program under federal law, therefore, once established, these restricted accounts shall also be exempt for Medi-Cal purposes as long as there is at least one person remaining who would be an Medi-Cal Family Budget Unit (MFBU) member but for the receipt of CalWORKS and the account is maintained in accordance with the following rules.

For example, this exemption would apply in situations where a parent, who has since been rendered ineligible for CalWORKS due to the time limitations, established a restricted account while on CalWORKS with his/her children. Because the children remain eligible for CalWORKS, the restricted account remains exempt in determining the Medi-Cal eligibility of the parent as long as it is maintained in accordance with these rules. The restricted account would remain exempt until all of the children were no longer CalWORKS recipients and the CalWORKS case was closed.

Restricted accounts may NOT be *ESTABLISHED* by an applicant or recipient of Medi-Cal only.

Before a restricted account is established, the CalWORKS recipient must complete a restricted account agreement (form CA 86). The restricted account agreement form requires the client to read and initial each detail of the restricted account agreement, and sign and date the form. CalWORKS county staff are required to review the form, including the coversheet, with the client and also sign and date. The funds contained in a restricted accounts shall be considered exempt only as long as the restricted account agreement is not terminated.

To qualify as a restricted account, the account must be designated for one or more of the following reasons:

- To purchase a home for the recipient to live in.
- To start a business.
- To save for any education or job training expense for the account holder or any of his or her dependents.

Qualifying Withdrawals

Withdrawals are considered to be qualifying when they are expenses associated with any of the following:

Purchase of a Home Expenses include, but are not limited to deposits, fees, down payment, principal payment, repairs, fixtures and closing costs. Expenses for household goods are not considered qualifying.

Education and Job Training Expenses include, but are not limited to fees, tuition, books, school supplies, equipment, special clothing needs, student housing, meals, transportation costs to and from school, child care services necessary for school attendance.

Starting A Business Expenses include, but are not limited to purchase and maintenance of capital equipment, uniforms or other protective or required clothing and shoes, tools, inventory, payments on loan principal and interest for capital assets or durable goods, rent for office or floor space and associated utilities, shipping and delivery costs, employee salary, fees, business taxes, insurance and other bookkeeping or other professional services. Personal expenses are not considered to be qualifying.

Qualifying withdrawals may be made for any of the purposes listed above. The withdrawn funds must be spent within 30 calendar days from the date of the withdrawal. Within 30 days of the expenditure of the withdrawn funds, the recipient must provide:

- The account balance prior to withdrawal.
- The date and amount of withdrawal.
- The receipt, canceled check or a provider's signed statement to verify the type and amount of goods and services provided.

If funds are withdrawn in anticipation of expenses that do not occur or the expense is less than anticipated, the recipient must redeposit funds into the restricted account within 30 calendar days of the withdrawal. Failure to redeposit the funds results in a determination that a nonqualifying withdrawal has occurred.

Nonqualifying Withdrawal

A nonqualifying withdrawal has occurred when the recipient fails to spend the funds for the appropriate purpose within the 30-day period or to provide verification of the expenditure. The county must consider whether good cause existed for the nonqualifying withdrawal. If good cause is found to exist, the county shall allow a reasonable period of time based upon the circumstances which resulted in the delay for the individual to meet the requirements. Good cause exists when:

- circumstances beyond the control of the recipient occurred which prevented the expenditure of funds within the 30-day period,
- failed or delayed completion of home purchase,
- lack of transportation, or
- other extenuating circumstances.

When a determination of nonqualifying withdrawal has been made and good cause was found not to exist, the funds withdrawn shall no longer be considered exempt and the amount withdrawn (minus interest paid and withdrawn during the month of receipt) shall be considered property included in the property reserve. Any property purchased with withdrawn funds shall be evaluated to determine if it is exempt or nonexempt.

New MFBU Members

Should an MFBU be found ineligible due to excess property as a result of a nonqualifying withdrawal where the funds were retained rather then spent down for whatever reason and good cause was found not to exist and new members are added to the MFBU (e.g., newborns) then the excess property as a result of the nonqualifying withdrawal shall be considered exempt for determining the eligibility of the new MFBU member until the funds withdrawn are spent down.

Interest

Interest earned on a restricted account is exempt as income. The interest must be deposited directly into the restricted account by the financial institution.

Interest may only be withdrawn

- when the account balance exceeds $5,000, or
- to meet qualified expenses.

Interest withdrawn for any other reason is considered a nonqualifying withdrawal and shall be considered income if withdrawn during the month of receipt.

Termination of the Written Agreement

The written agreement for the restricted account terminates when:

- the agreement is terminated by CalWORKS (e.g., verification is not timely or CalWORKS eligibility is discontinued); or
- the restricted account is closed; or
- state or federal law changes the conditions or no longer permits these restricted accounts.

If you have any questions on this issue, please call Sharyl Shanen-Raya Policy Section A, Medi-Cal Eligibility Branch, at (916) 657-2942.

Sincerely,

ORIGINAL SIGNED BY

ANGELINE MRVA, Chief
Medi-Cal Eligibility Branch