STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF HEALTH SERVICES
714/744 P STREET
SACRAMENTO, CA 95814

May 2, 1985

TO: All County Welfare Directors
County Administrative Officers

Letter No. 85-35

DISCONTINUANCE OF MANDATORY PAYROLL DEDUCTION EXEMPTION (IBARRA V. DAWSON)

Reference: All County Welfare Directors Letters 83-30, 83-64 and 83-80

The Deficit Reduction Act (DEFRA) of 1984 (P.L. 98-369) was signed by the President on July 18, 1984. Section 2625 of the Act (AFDC Clarification of Earned Income provision) explicitly provides that the term "earned income" means the gross amount of earnings prior to any deductions for taxes or for any other purposes.

As explained in the above referenced letters the April 5, 1983 preliminary injunction in Ibarra v Dawson, prohibited the Medi-Cal program from counting mandatory payroll deductions (income taxes, social security and state disability insurance) as available income for purposes of determining the share of cost (SOC). As a result of the clarified definition of earned income under DEFRA, the court on February 6, 1985 lifted the preliminary injunction. Therefore, effective immediately for new applicants and as full case reviews are performed for the DEFRA changes for continuing cases, counties shall no longer subtract mandatory payroll deductions from gross earned income. This applies to all AFDC-MN cases (including those in which a stepparent's income or the income of an ABD-MN is used), the medically indigent pregnant woman and the medically indigent child. Only the seventy-five dollars work related expenses deduction may now be allowed as specified in CAC Title 22, Section 50553.1.

Attached is suggested language for use in notifying beneficiaries of the change in the SOC resulting from the February 1985 court order.

If you have any questions, please contact Barbara Morrison at (916) 324-0650.

Sincerely,

Original signed by

Tom J. Elkin, Acting Chief
Medi-Cal Eligibility Branch

Attachment

cc: Medi-Cal Liaisons
Medi-Cal Program Consultants
Expiration Date: December 31, 1985

Attachment

SUGGESTED LANGUAGE FOR NOA REQUIRED FOR INCREASING SOC

DUE TO IBARRA V DAWSON

Due to a new federal law and a recent court order (Ibarra v Dawson issued February 6, 1985) mandatory payroll deductions (such as Income Tax, Social Security and Disability Insurance) can no longer be subtracted from your gross income when computing your share of cost. Only $75.00 can be allowed as a deduction from your earned income for mandatory payroll deductions and work related expenses. As a result, your share of cost has increased. This action is required by the Deficit Reduction Act (DEFRA) of 1984, P.L. 98-369, the Ibarra v Dawson court order and Title 22, CAC Section 50553.1.

Attachment

Minutes from the April 9, 1985 Meeting of the CWDA/DHS Medi-Cal Corrective Action Subcommittee

1. Members Present:

Ann Lashbrook -- Merced County

Virginia Hickey -- Napa County

John LaRoche -- Orange County

Lin Semenchuk -- Sacramento County

Penni Clarke -- Sacramento County; CWDA QC, Fraud and Fair Hearings

Kathy Trenery -- San Bernardino County

Bob Macaluso -- Department of Health Services (DHS) Audits and Investigations Division

Marlene Ratner -- Department of Health Services (DHS) Eligibility Branch

2. The subcommittee discussed the merits of adapting the Department of Social Services form CA-80 (AFDC Quality Control Error Correction Follow Up) for the Medi-Cal program, to assist in corrective action efforts. The consensus was that any form which is completed by line staff and directed towards correcting a specific case with a QC error will not capture the broad corrective action activities of counties. Instead, individual county corrective action (CA) activities which could have statewide applicability will be identified in other ways, such as through individual county CA plans submitted to DHS, county visits by DHS' Corrective Action Unit or information gathered by this subcommittee which is to serve as a CA clearinghouse.

3. The examples of income errors submitted by counties were classified by error type last month. The subcommittee discussed each error type and possible corrective actions. When the project is completed, a final report containing the counties' examples and subcommittee's recommendations will be issued to all counties.

The subcommittee developed the following types of corrective action for possible inclusion in the final report.

a. Errors Relating to Conversion of Income to Monthly Amounts

1) Kathy Trenery will draft a one page chart for eligbility workers (EW) concerning conversion of income to monthly, including key questions to ask (e.g., whether a beneficiary is paid twice a month by date or by day, or is paid every other week). Sample wage stubs will be included to illustrate how key information can be determined.

2) The subcommittee will request that CWDA ask DHS to develop a self employment training package for inclusion in the Procedural Manual. John will also ask counties to provide to DHS copies of any training or worksheets they use in self employment income cases.

b. Errors Relating to Medicare Buy-In and Health Insurance Premiums

1. CWDA could be asked at a future date to request from DHS that

(i) If multiple changes are to occur in one month (e.g., in Social Security due to COLAs, Buy-In, Title II disregard amounts, maintenance need levels) that DHS provide one All County Welfare Directors (ACWD) Letter so that all changes can be implemented at one time, and

(ii) All instructions be issued timely so that counties only have to implement these changes in future months, rather than in retroactive months as well.

2) Ann Lashbrook is to look at the wording on the MC 217, MC 176S and MC 210 to determine if it's clear to beneficiaries to report changes in other health coverage.

3) CWDA could request that DHS review the ACWD Letter on Retirement, Survivors, Disability insurance (RSDI) and update information on the use of the report as appropriate, including whether and how Buy-In is reflected, what error messages mean, and who in DSS or DHS can be contacted when questions or problems arise.

c. Income Deductions and Allocations

This item will be discussed at the next meeting.

d. In-Kind Income (IKI)

Since the problem appears to center around the fact that IKI can be earned as well as unearned, a one page general handout will be drafted by Lin Semenchuk.

e. Income from Property

1) Ann Lashbrook will look at the MC 216, MC 217 and MC 176S to see how information and interest income is addressed.

2) DHS could be asked to include in the Procedural Manual examples of amounts of income used to determine share of cost when room and board is provided, rooms are rented and housing is shared.

f. Errors Relating to Mathematical, Transposition and Rounding of Numbers

1) The Systems Unit of DHS' Medi-Cal Eligility Branch could be asked to include a rounding statement on the MC 176M.

2) Kathy Trenery and Ann Lashbrook will provide the subcommittee with handouts relating to the numbers training provided to their county eligibility workers.

g. Unemployment Insurance Benefits (UIB) (other than converting to monthly)

Virginia Hickey reported that Napa County's local EDD office provides clients, immediately upon request, a computer printout of UIB information, such as benefit amount, date and amount of entitlement, and what amounts were paid. She will find out whether this printout is available statewide.

h. Social Security COLA

1) DHS could be asked to provide a methodology for counties to estimate the COLA so that a $1 discrepancy does not exist between the actual amount received and the county estimate.

2) DHS could be asked to pursue with the Health Care Financing Administration (HCFA) a provision to hold counties harmless for the $1 discrepancy, even if other errors occur in the case.

i) Other

To be discussed at the next meeting.

4. The next meeting will be on May 7, 1985.