



State of California—Health and Human Services Agency  
Department of Health Services



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MEDI-CAL ELIGIBILITY PROCEDURES MANUAL LETTER NO.: 272

TO: All Holders of the Medi-Cal Eligibility Procedures Manual

SUBJECT: 5C DEPRIVATION – LINKAGE TO THE AID TO FAMILIES WITH  
DEPENDENT CHILDREN

Enclosed are clarifications and two new Questions and Answers to Article 5C of the  
Medi-Cal Eligibility Procedures Manual.

The clarifications and new additions are marked with a black line in the right margin.

**Filing Instructions:**

**Remove Pages:**

Article 5  
Pages 5C-11 through 5C-16

**Insert Pages:**

Article 5  
Pages 5C-11 through 5C-16

If you have any questions, please contact Ms. Margie Buzdas of my staff at  
(916) 657-0727.

Original signed by

Beth Fife, Chief  
Medi-Cal Eligibility Branch

Enclosures



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- (2) A husband and wife have two children. In the last two years the husband worked full time and had the most earnings. His wife worked part time. The wife loses her job because of plant closure. Is there deprivation?

Answer: No. The wife is not the PWE.

- (3) A husband and wife have one child. Neither parent works and neither has ever been employed. Is there deprivation?

Answer: Yes. When both parents qualify as the principal wage earner (PWE) and have earned an identical amount of income (or no income) in a 24-month period, the county in consultation with the parents shall designate which parent is the PWE. Once the PWE has been determined, this parent continues to be the PWE for each consecutive month, even if the other parent has earnings in the next two years as stated in Section 50215 (c), Title 22, California Code of Regulations.

- (4) A husband and wife have three children. The husband is employed full time. In June 1995, the wife became unemployed. The wife was employed full time for the 3 years before June 1995 and had income equal to or greater than her husband in 12 of the last 24 months in that period. Is there deprivation?

Answer: There would be deprivation if 1) the wife were the PWE, (i.e., if either the wife's income exceeded the husband's income during the June 1993 through May 1995 period or if her income equaled his during this period, if she were designated as the PWE) and 2) the remaining requirements of Section 50215 were met.

- (5) A husband and wife have eight children. The husband works full time; the wife is not employed. The husband's union goes out on strike. Is there deprivation?

Answer: Yes. A person can be on strike and be aided under U-Parent deprivation.

- (6) May the nonparent spouse of an unemployed parent (i.e., a stepparent to the parent's separate children) be linked to the Medically Needy program if they have no mutual children?

Answer: No. A spouse who has no deprived children living in the home may only be linked if his/her spouse has children who are deprived by the parent's incapacity. However, the spouse may be linked as an essential person in the 1931(b) program.

- (7) Must the PWE actively seek work?

Answer: No. This is no longer a requirement for this program.

- (8) The family was receiving Medi-Cal for three years due to the incapacity of the mother. The father worked during this time. The mother returned to work but the father became unemployed. Who is the PWE?

Answer: The father. Per Section 50125 (c), "the principal wage earner is the parent who has earned the greater amount of income in the 24-month period immediately preceding either of the following:

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- a) The month of application, reapplication or restoration.
- b) The date of a redetermination that a family's circumstances have changed in such a way as to meet the requirements for deprivation due to the unemployment of a parent.

Exception: An unemployed PWE who becomes incapacitated and then returns to work does not need to be redetermined as the PWE and may work over 100 hours if he is a recipient of Section 1931(b). No Earned Income 100 Hour U-Parent Test is required unless there is a break in aid. Thus, it may be more beneficial for the family to establish the PWE at the time of application if the PWE is also temporarily incapacitated.

- (9) The family received a California Work Opportunity and Responsibility to Kids (CalWORKs) cash grant based on unemployed parent. The father was determined to be the PWE. The family was discontinued from CalWORKs due to the mother's unearned income. For Medi-Cal only purposes, is the father still the PWE or is it now the mother?

Answer: The father continues to be the PWE if there was no reapplication or restoration. If the family failed to return any county requested information and the discontinuance notice was not rescinded for good cause, the PWE must be redetermined.

- (10) May a parent be determined as the PWE if his/her only employment was in a refugee camp outside the United States? His earnings were not part of the regular camp requirements.

Answer: Earnings whether in cash or in-kind from work performed either inside or outside the United States, including work performed in refugee camps are acceptable, as long as they meet the definition of earned income contained in Article 10.

- (11) A PWE is self-employed as a salesperson selling a product door-to-door. The individual spent the following hours in the month of April in connection with his occupation:

- 40 hours collecting orders for the product.
  - 15 hours ordering the products from the supplier. This includes completing the necessary work and going to the post office.
  - 5 hours developing and delivering flyers advertising the business.
  - 4 hours with floor duty at the distributor's office.
  - 32 hours delivering the products to the customers.
  - 10 hours distributing new catalogs.

Are all these hours counted?

Answer: In this situation, all of the above hours count as hours worked because all hours were spent promoting the business or attempting to or making contact with prospective or actual customers.

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- (12) Some self-employed persons may possibly control their hours. If they work under 100 hours and are the PWE, or work 100 hours or more and pass the U-Parent earned income test which is effective March 1, 2000, do we have to aid them?

Answer: Yes. There is nothing that precludes us from doing so.

- (13) Are paid vacation and sick leave hours counted in determining hours of employment?

Answer: Yes. Paid vacation and sick leave hours are counted in determining hours unless the PWE is incapacitated and is using sick leave or will not be returning to work after his vacation hours are depleted. In those cases when the PWE is working less than 100 hours per month, he/she may apply as an incapacitated or unemployed parent.

- (14) Would we aid a working individual under U-Parent deprivation if a person worked less than 100 hours in the prior two months, nor was expected to work 100 or more hours in the following month.

Answer: Yes.

- (15) Assume the U-parent has, without good cause, quit a job or employment training or refused a bona fide offer of employment or employment related training. Do these requirements still exist to determine U-Parent deprivation in the MN Program?

Answer: No. These requirements no longer pertain to unemployment parent deprivation for the medically needy.

- (16) What if an individual comes in on the first day of the month, how would this case be treated?

Answer: The eligibility worker (EW) can look at the past history of the individual. If the person has no work history in the last month and indicates he/she does not expect to work the rest of the month, grant Medi-Cal if otherwise eligible. If the person has a sporadic work history where it is apparent that this individual has worked over 100 hours in past months and may do so in the current month, the EW can request that this individual verify (written verification from his employer) that he will not exceed the 100-hour requirement.

- (17) Effective March 1, 2000, Assembly Bill 1107, Chapter 146, Statutes of 1999 (Section 14008.85 of the Welfare and Institutions Code) allows the Medically Needy applicant and recipient PWE as well as the Section 1931(b) applicant PWE to work 100 hours or more if the family's earned income is less than 100 percent of the federal poverty level. Section 1931(b) and CalWORKs recipient PWEs are already allowed to work 100 hours or more without this test as long as they remain otherwise eligible. Whose income is counted in this test, how is earned income defined, and what deductions are allowable?

Effective May 1, 2001, all earned income of the children will be exempt and only the earned income of the parents or the parent and the parent's spouse who are the living in the home and in the MFBU will be counted in determining the U-parent income test. The earned income test is required for applicants of the Section 1931(b) program and applicants and recipients of the Medically Needy (MN) program. If a parent is not in

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the MFBU because he/she is receiving Public Assistance (PA) or Other PA, or who is not required/allowed to be aided (such as the unmarried father whose only child is an unborn, his/her earned income is not counted nor is he/she included in the family size when determining the 100 percent limit. Children up to age 21 should be included when determining the family size even though their earned income is exempt unless they are excluded at the parent's request, or receiving PA or Other PA, or they are excluded for other reasons such as being eligible for Section 1931(b) in their own case as an adult with a deprived child

If the child is excluded for some reason, the parents must have at least one other eligible child included in the family income test as well as for all Medi-Cal programs that require the parents to be linked to a deprived child. Section 1931(b) requires that there be at least one deprived child who is eligible for Section 1931(b) or who has a zero share of cost in some other Medi-Cal program.

If the PWE is working over 100 hours and the family passes the U-Parent Earned Income test, but is not eligible for Section 1931(b) due to income and property rules or other reasons, (e.g., some family members may not be eligible due to Sneede v. Kizer, the youngest child is above the age requirements, the father of the pregnant woman in her last trimester has no other deprived children), they should be evaluated for MN or other programs.

If the PWE is working over 100 hours, he/she is not a recipient of Section 1931(b), the family does not pass the U-parent test, and there is no other basis for deprivation, the family is not eligible for Section 1931(b) or the Aid to Families with Dependent Children (AFDC)-MN program. The children should be evaluated for the MI program or the Percent programs.

Earned income is defined in Article 10 of the California Code of Regulations and includes income from employment as well as other forms of earnings such as State Disability Insurance. This is different from the Transitional Medi-Cal Program, which only totals the average three months of gross earnings from employment minus child care deductions and does not include other types of earned income.

Counties should use the same earned income deductions for the Unemployed Parent Determination Test that are allowed for either the Section 1931(b) or the MN program, but not both. For example, if the family has health insurance premiums or an aged, blind, or disabled person in the MFBU and he/she, the parents or spouse have earned income, the MN deductions (\$20 and the \$65 plus 1/2) may be more beneficial than the \$90 work related expenses which is the Section 1931(b) program earned income disregard. If the parent is self employed, the 40% deduction which is allowable under the Section 1931(b) program may be more beneficial than using MN deductions.

NOTE: An exception to using the same deductions rule is when a Section 1931(b) recipient family has a change in circumstances and must be redetermined for unemployment deprivation. Although the \$240 + 1/2 deduction is an allowed earned income deduction for these recipients, it is not allowable for the U-parent earned income test. Only applicant earned income deductions are allowable.

- (18) The PWE in an MN recipient family is working 100 hours or more and the county determined that he was still unemployed after the U-Parent Earned Income test.

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If his or his spouse's earned income goes up in the following month or if a family member leaves the home which would reduce the family size, is the U-Parent Earned Income test required to see if he is still unemployed?

Answer: Yes. MN recipient families are not exempt from the 100 hour rule test and a change in earnings or family size may cause the PWE to fail the U-Parent Test.

- (19) An unemployed father and his pregnant girlfriend also have a common child and Dad has a separate child. The county evaluates the family for the Section 1931(b) program. Only the pregnant woman is income eligible. The other family members are eligible for the MN program. In month two the county redetermines Section 1931(b) for the other family members and the family is income eligible; however, the father began working over 100 hours. Is the U-Parent Test required or is he now considered a recipient of Section 1931(b)?

Answer: Since he has already been determined as the PWE and there is no change in circumstances or break in aid, he can be considered a Section 1931(b) recipient when the family is recombined and no U-Parent Test is required.

### Example 1

#### U-Parent Income Test

Mom	\$ 0
Dad (PWE working over 100 hours)	- \$1,200 (net nonexempt earned income)
Mutual 10-year-old	N/A
Mutual 19-year-old	N/A
Total family net nonexempt earnings =	\$1,200
U-parent earned income limit (100%) for 4 =	\$1,471

Married Mom, Dad, the 19-year-old and 10-year-old apply for Medi-Cal. Dad is the PWE and is working over 100 hours. The parents have no other basis for linkage. The family passes the U-Parent test because their earned income is at or below the 100% limit and the PWE is considered unemployed. They are evaluated for the Section 1931(b) program using the existing property rules and the income limits of 100 percent of the FPL for applicants. The 19-year-old has \$300 in net nonexempt earnings and is ineligible for Section 1931(b) due to the age requirements; however, the other family members are eligible for Section 1931(b). Note: If this family had unearned income, they may not pass the income test for Section 1931(b). They would then be evaluated for the MN program. The 10-year-old would also be evaluated for the Percent program, if the family had a share of cost (SOC) in the MN program.

The 19-year-old is evaluated for the MN program because he/she is not considered a child for Section 1931(b). If he/she had unearned income, he/she may have a SOC. We are assuming he/she is property eligible.

One month later, the 19-year-old takes a job and his net nonexempt earned income increases to \$2000. The PWE continues to work over 100 hours.

Since the PWE in this family is eligible for Section 1931(b), the family would qualify as recipients and are exempt from the 100 hour rule and the U-parent income limit test. Since there is an increase in the family's income, Section 1931(b) eligibility must be redetermined. The family members (including the 19-year-old) are all put back into the same Section 1931(b) MFBU and must still meet the Section 1931(b) unearned and earned net nonexempt income and property limits of that program. Sneede rules apply and the 19-year-old would be in his own Mini Budget Unit (MBU) if the family were over the income limit.

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If this family is no longer income eligible for Section 1931(b) and is not eligible for Transitional Medi-Cal (TMC) because the family did not receive CalWORKs or Section 1931(b) for three out of the last six months nor was the increase in earnings from the PWE or the caretaker relative, the family should be evaluated for the U-parent earned income test as applicants for the MN program. In this case, the parent's net nonexempt earned income is still under the 100 Percent limit. The parents and the mutual 19-year-old child would be eligible under the MN program with a SOC and the 10-year-old may be eligible for the Percent program.

### Example 2

#### U-Parent Income Test

Mom	\$ 0 earned income
Dad (PWE working over 100 Hours)	\$1,000 (net nonexempt earned income)
Mutual 4-year-old child	\$ N/A
Total net nonexempt earned income	\$1,000
U Parent earned income limit (100%) for 3 =	\$1,220

This married couple and child apply for Medi-Cal on April 1, 2001, and pass the U-parent deprivation test. They are then evaluated for the Section 1931(b) program.

Mom also has \$300 unemployment insurance benefits (UIB) unearned income and the child has no income; therefore, the total family net nonexempt unearned and earned income is \$1,300. The family is income ineligible for the Section 1931(b) program and must be evaluated for the MN program. We will assume the family is property eligible for both programs. The MN limit for three is \$934; therefore, the parents have a SOC. The four-year-old is eligible for the 133 Percent program.

Two months later, Mom begins working and receives net nonexempt earnings of \$400 per month. Since the U-parent income test applies to recipients of the MN program and the family's net nonexempt earnings are now \$1,400 which is over the 100 Percent U-parent limit for three. Mom and Dad are no longer eligible as parents of a deprived child. The child is still eligible for the 133 Percent program.

### Example 3

#### U-Parent Income Test

Mom	\$ 300 (net nonexempt earned income)
Dad (PWE)	\$1,500 (net nonexempt earned income)
Mom's separate child	\$ N/A
Mutual child	\$ 0
Total net earned income	\$1,800
U Parent earned income limit (100%) for 4 =	\$1,471 (2001 limits)

This unmarried couple, their mutual child (age 5), and Mom's separate child (age 19), apply for Medi-Cal. Dad is working over 100 hours and family is over the U-parent income limit. Dad and the mutual child are not eligible for the Section 1931(b) or the MN programs due to lack of deprivation. They are not eligible for TMC because they have not received CalWORKs or Section 1931(b) for three of the last six months. Since Mom's separate child is age 19, Mom has no deprived "child" in the home as defined under the Section 1931(b) program and is not eligible for Section 1931(b). Evaluate her and her separate child for the MN program. Mom's separate child has \$300 from child support. Evaluate the mutual child for the MI or Percent program. Dad is ineligible for any program because he has no other linkage and he is not a spouse and cannot qualify as an essential person.