CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Michelle Baass | Director

DATE: November 16, 2026

TO: ALL COUNTY WELFARE DIRECTORS
ALL COUNTY WELFARE ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY HEALTH EXECUTIVES
ALL COUNTY MENTAL HEALTH DIRECTORS
ALL COUNTY MEDS LIAISONS

Letter No.:26-23

SUBJECT: CLARIFICATION REGARDING COMPUTATION OF THE BOARD AND CARE DEDUCTION FOR THE AGED, BLIND, AND DISABLED FEDERAL POVERTY LEVEL (ABD FPL), MEDICALLY NEEDY (MN), AND MEDICARE SAVINGS PROGRAMS (MSPs)

Purpose

The purpose of this All County Welfare Directors Letter (ACWDL) is to provide counties with guidance regarding the computation of the board and care deduction for the ABD FPL Program, MN Program, and MSPs following the release of guidance published in MEDIL I 26-14.

Background

Under California Code of Regulations (CCR), Title 22 Section 50515(a)(3), individuals residing in licensed care facilities may receive a board and care deduction to help them meet Medi-Cal income eligibility requirements. Following the *Pettit v. Bonta* court decision, the Department of Health Care Services (DHCS) issued ACWDL 00-56, which allows individuals living in a licensed residential facility a standard $315 personal care services income deduction that can be applied in lieu of the excess maintenance need deduction. However, counties must compare both the standard deduction and the

excess maintenance need deduction and apply the deduction that provides the Medi-Cal applicant or member with the lowest (or no) Share of Cost (SOC).
Additionally, only the actual amount paid directly by the individual, or the amount that the individual is personally obligated to pay toward their facility rate, may be used in the excess maintenance need computation. Any portion of the facility rate covered by a third party must be excluded from the calculation. For example, if an individual's facility rate is $2,000, they pay $1,200, and a family member pays the remaining $800, only the $1,200 paid by the individual will be used when calculating their excess maintenance need.

Previously released policy guidance did not include examples of the ABD FPL budgets. This policy letter outlines the appropriate budgeting methodology.

Policy Clarification

ABD FPL Program
In accordance with California Welfare and Institutions Code (WIC) Section 14005.40, the excess board and care deduction for the ABD FPL program must be calculated using the ABD FPL income standard of 138 percent of the FPL, rather than the MN maintenance need standard. When determining eligibility under the ABD FPL program for an individual residing in a licensed board and care facility, counties must follow the two-step process outlined below:

Step 1: Compare Deductions
- Calculate the excess board and care deduction by subtracting the current ABD FPL income limit from the incurred facility rate.
- Compare the excess board and care deduction against the *Pettit v. Bonta* standard deduction of $315.

Apply the greater deduction of the two.
Step 2: Determine ABD FPL Eligibility

- Subtract either the standard deduction or the excess board and care deduction, along with the $20 general income deduction, any applicable health insurance premiums that meet the qualifications outlined in California Code of Regulations (CCR), Title 22, Section 50555.2, and any other applicable deductions, from the individual's total gross (earned and unearned) income to determine their net countable income.
- Reminder: As previously referenced in ACWDL 25-26, an individual does not need to pay the Medicare Part B premium when they are enrolled in or applying for the ABD FPL program to receive the deduction. The income disregard is applied to the budget as long as the individual's countable income remains within the ABD FPL program limits.
- Evaluate the remaining income against the 138% ABD FPL limit. If the income is at or below the limit, then the individual is eligible for the ABD FPL program with no SOC.
- If the income exceeds the limit, then the individual is ineligible for the ABD FPL program and must be evaluated for the MN program.

Below are two examples that demonstrate how these calculations are applied. Both examples use the 2026 ABD FPL income limit for a single individual ($1,836.00) and a standard Medicare Part B premium of $202.90.

Example 1: Eligible for ABD FPL

Step 1: Calculate the excess board and care deduction

Incurred facility rate	$4,000.00
Minus 2026 ABD FPL income limit	-$1,836.00
Excess board and care:	$2,164.00

In this example, the excess board and care amount of $2,164 is greater than the standard $315 deduction, meaning the $2,164 will be used in the calculation below to determine eligibility for the ABD FPL program.

Step 2: Determine ABD FPL eligibility

Social Security Disability	$3,150.00
Private Pension	+$850.00
Total Gross Unearned Income	$4,000.00
Minus Any Income Deduction	-$20.00
	$3,980.00
Minus Medicare Part B Premium	-$202.90
Total Net Nonexempt Income	$3,777.10
Minus Excess Board and Care Deduction	-$2,164.00
Countable income	$1,613.10

Result

In this example, the countable income of $1,613.10 is less than the 2026 ABD FPL income limit of $1,836.00 for an individual. As a result, the individual is eligible for the ABD FPL program.

Example 2: Ineligible for the ABD FPL

Step 1: Calculate the excess board and care deduction

Incurred facility rate	$3,200.00
Minus 2026 ABD FPL income limit	-$1,836.00
Excess board and care:	$1,364.00

Step 2: Determine ABD FPL eligibility

Social Security Disability	$2,400.00
Private Pension	+$1,650.00

Minus Any Income Deduction	-$20.00
Net Unearned Income	$4030.00
Earned Income	+$850.00
Minus $65 Earned Income Deduction	- $65.00
Minus 50% Earned Income Disregard	-$392.50
Total Net Earned and Unearned Income	$4,422.50
Minus Medicare Part B Premium	-$202.90
Total Net Income	$4,219.60
Minus Excess Board and Care Deduction	-$1,364.00
Total Net Nonexempt Income	$2,855.60

Result
In this example, the countable income of $2,855.60 exceeds the 2026 ABD FPL income limit of $1,836.00 for an individual. As a result, the individual is ineligible for the ABD FPL program and should be evaluated for the MN program.

MN Program
When individuals are ineligible for the ABD FPL program, counties are required to evaluate eligibility using the medically needy income methodology in accordance with California WIC, Section 14005.7. Under this income methodology, the excess board and care deduction is calculated using the current maintenance need as the income standard.

Example:

Step 1: Calculate the excess board and care deduction

Incurred facility rate	$3,000.00
Minus Maintenance Need Level (MNL) for one person	-$600.00
Excess board and care:	$2,400.00

In this example, the excess board and care amount of $2,400.00 is greater than the standard $315.00 deduction, meaning the $2,400.00 will be allowed as an income deduction.

Step 2: Calculate the income used to determine SOC

Social Security Disability	$3,000.00
Private Pension	+$1,030.00
Total Gross Unearned Income	$4,030.00
Minus Any Income Deduction	-$20.00
	$4,010.00
Minus Medicare Part B Premium	-$202.90
Total Net Income	$3,807.10
Minus Excess Board and Care Deduction	-$2,400.00
Total Net Nonexempt Income	$1,407.10

Step 3: Calculate the SOC

Total Net Nonexempt Income	$1,407.10
Minus MNL for one person	-$600.00
SOC	$807.00

MSPs

Pursuant to Title 22, CCR, Section 50570(c), net nonexempt income must be calculated in accordance with Article 10 of the California Code of Regulations, which uses the maintenance need to determine the board and care deduction amount for the MSPs. The board and care deduction applies to MSP eligibility determinations under the MN methodology. If the individual is ineligible under the MN methodology, counties must evaluate MSP eligibility using the Supplemental Security Income (SSI) methodology, which does not allow a deduction for board and care expenses.

The examples below focus on the Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary (SLMB), and Qualifying Individual (QI) programs. These examples are based on the current maintenance need level of $600 for a single individual. The Qualified Disabled and Working Individuals (QDWI) program is not included in these examples because it uses specific SSI income disregards and not the MN income disregard.

Individuals who are dually eligible (Medicare and Medi-Cal eligible) will have two separate program evaluations that may use different board and care deduction amounts. In the example below, the individual is eligible for the ABD FPL program. When determining eligibility for the ABD FPL program, the ABD FPL income standard is used. However, when determining eligibility for the QMB program, the maintenance need level of $600 is used.

QMB Example:

Step 1: Calculate the excess board and care deduction

Incurred facility rate	$4,000.00
Minus MNL for one person	-$600.00
Excess board and care:	$3,400.00

The excess board and care amount of $3,400 is greater than the standard $315 deduction, meaning the $3,400 will be used in the calculation below to determine eligibility for the QMB program.

Step 2: Determine eligibility for the QMB program

Social Security Disability	$3,200.00
Private Pension	+$1,000.00
Total Gross Unearned Income	$4,200.00
Minus Any Income Deduction	-$20.00
Total Net Income	$4,180.00

Minus Excess Board and Care Deduction	-$3,400.00
Total Net Nonexempt Income	$780.00

Result
In this example, the income of $780 is less than the 2026 QMB (100% FPL) income limit of $1,330, therefore the individual in this example would be eligible for the QMB program.

SLMB Example:

Step 1: Calculate the excess board and care deduction

Incurred facility rate	$4,000.00
Minus MNL for one person	-$600.00
Excess board and care:	$3,400.00

The excess board and care amount of $3,400 is greater than the standard $315 deduction, meaning the $3,400 will be used in the calculation below to determine eligibility for the SLMB program.

Step 2: Determine eligibility for the SLMB program

Social Security Disability	$4,000.00
Private Pension	+$900.00
Total Gross Unearned Income	$4,900.00
Minus Any Income Deduction	-$20.00
Total Net Income	$4,880.00
Minus Excess Board and Care Deduction	-$3,400.00
Total Net Nonexempt Income	$1,480.00

Result
In this example, the income of $1,480 is less than the 2026 SLMB (above 100% of the FPL to below 120% FPL) income limit of above $1,330 to $1,596, therefore the individual in this example would be eligible for the SLMB program.

QI Example:

Step 1: Calculate the excess board and care deduction

Incurred facility rate	$4,000.00
Minus MNL for one person	-$600.00
Excess board and care:	$3,400.00

The excess board and care amount of $3,400 is greater than the standard $315 deduction, meaning the $3,400 will be used in the calculation below to determine eligibility for the QI program.

Step 2: Determine eligibility for the QI program

Social Security Disability	$4,200.00
Private Pension	+$850.00
Total Gross Unearned Income	$5,050.00
Minus Any Income Deduction	-$20.00
Total Net Income	$5,030.00
Minus Excess Board and Care Deduction	-$3,400.00
Total Net Nonexempt Income	$1,630.00

Result
In this example, the income of $1630 is less than the 2026 QI (at or above 120% of the FPL to below 135% FPL) income limit of $1596 to $1,796, therefore the individual in this example would be eligible for the QI program.

County Responsibility

Counties must ensure a facility rate is entered into the system to properly calculate the excess board and care deduction. To ensure this deduction is not incorrectly applied to individuals in a long-term care facility, counties must verify the eligible individual's facility type and confirm that the individual is receiving personal care services rather than a nursing facility level of care. DHCS provided clarification regarding personal care services and facility definitions in MEDIL I 26-14.

At this time, counties are not required to take manual action; instead, counties should continue evaluating and processing cases based on current system programming, which applies the board and care deduction using the current Medically Needy (MN) maintenance need standard, until the system is programmed to allow the board and care deduction based on the ABD FPL income standard.

DHCS is actively collaborating with the California Automated Welfare System (CalSAWS) team to program and automate this functionality in the system and will provide additional guidance in a future letter.

If you have any questions regarding the information provided in this letter, please contact the Non-MAGI unit at NonMAGIInbox@dhcs.ca.gov. County questions regarding policy guidance should be sent to MCED-Policy@dhcs.ca.gov.

Sincerely,

Sarah Crow, Chief
Medi-Cal Eligibility Division