

DATE: December 22, 2023

TO: ALL COUNTY WELFARE DIRECTORS Letter No.: 23-31
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

SUBJECT: SHARE OF COST (SOC) REFORM

References: Title 22 California Code of Regulations sections [50601](#),
[50603](#), and [50653](#), [ACWDL 89-58](#)

The purpose of this All County Welfare Directors Letter (ACWDL) is to provide counties and the Statewide Automated Welfare System (SAWS) with guidance regarding changes to the “maintenance need” (sometimes referred to as the maintenance need income level (MNIL)) used to calculate the share of cost (SOC) for Medically Needy (MN) program enrollees who are not in long-term care. These changes, enacted by [Senate Bill \(SB\) 184](#) (Chapter 47, Statutes of 2022), increase the maintenance need for the MN program to 138 percent of the federal poverty level (FPL) effective January 1, 2025. This policy shall be implemented on January 1, 2025, contingent upon a determination of available State General Fund resources in 2024-2025’s May Revision and subsequent fiscal years, as well as receipt of all necessary federal approvals. The Department of Health Care Services (DHCS) will issue follow-up guidance in the form of a Medi-Cal Eligibility Division Informational Letter (MEDIL) to provide counties and SAWS with instructions on final readiness.

Background

In 2022, several health measures were consolidated in SB 184 as part of the Health Omnibus Bill of 2021-2022. This ACWDL addresses the SB 184 provisions that amended section 14005.12 of the Welfare and Institutions Code (WIC). WIC § 14005.12 set the maintenance need to 138 percent of the FPL which is equal to the income limit for Medi-Cal without a SOC under the Aged, Blind, and Disabled Federal Poverty Level Program (ABD FPL). Raising the maintenance need to 138 percent FPL is referred to as SOC Reform.

The Medically Needy program is a non-MAGI program that allows Medi-Cal applicants, who are otherwise eligible except for income, to spend down excess income on qualified medical expenses (known as SOC) in order to become eligible for Medi-Cal coverage.

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SOC is the amount an individual must pay or promise to pay to the provider for health or dental care before Medi-Cal starts to pay. The SOC amount resets each month and Medi-Cal members only need to pay their SOC in months when they get health and/or dental care services. The SOC amount is owed to the health or dental care provider. It is not owed to Medi-Cal or the State. Providers may allow Medi-Cal members to pay for the services later instead of all at once.

The SOC is calculated by determining how much income an individual has in excess of the maintenance need minus any applicable deductions (Title 22 CCR section [50653](#)).

SOC individuals are responsible for paying their remaining income in excess of the maintenance need level towards their health care each month before Medi-Cal coverage is active. The maintenance need is a standard amount for an individual or family to allow them to meet their basic needs and is not based on their actual expenses. Prior to January 1, 2025 the Medi-Cal maintenance need is based on the former Aid to Families with Dependent Children (AFDC) program payment levels. The maintenance need has remained at \$600 for an individual since 1989.

Policy

Effective January 1, 2025, the maintenance need for all Medi-Cal programs that utilize the medically needy methodology to calculate a SOC will change to 138 percent of the FPL for the appropriate Medi-Cal Family Budget Unit size. With the implementation of this policy change, the maintenance need will increase annually with the change instead of the previous static value.

This guidance supersedes previous guidance in [ACWDL 89-58](#) regarding how to calculate the maintenance need for individuals living in the community. It does not change how a SOC is calculated for Long-Term Care (LTC) Medi-Cal. Share of cost reform does not impact the policies and procedures of applying unpaid medical bills towards SOC under *Hunt v. Kizer*. Please see the enclosed chart for a list of Medi-Cal programs by aid code that use the maintenance need.

For all existing Medi-Cal members with a SOC, the SOC shall be recalculated using the new maintenance need for the January 2025 month of eligibility (MOE) by no later than December 31, 2024. All new applicants who apply in December 2024 shall have their eligibility determined using the new maintenance need for January 2025 MOE.

The table below illustrates an example of the calculation amounts before and after of the SOC reform using the 2023 FPL figures.

Income and Deductions	SOC before January 1, 2025	SOC after January 1, 2025
Gross income	\$2000	\$2000
Any income deduction	\$20	\$20
Medicare Part B (2023) deduction	\$164.90	164.90
¹ Net Income (rounded)	\$1815	\$1815
SOC maintenance need deduction	\$600	\$1677(138 percent FPL 1 person for 2023)
² Monthly SOC	\$1215	\$138

System Programming

CalSAWS shall make program changes to automate the new maintenance need values as outlined in this ACWDL by January 1, 2025. Additionally, CalSAWS will redetermine eligibility for existing Medi-Cal members with a SOC for January MOE prior to January 1, 2025. DHCS will work with CalSAWS to facilitate programming of these changes.

Notices

Counties shall use existing SOC Notices of Action (NOA) when determining eligibility for the Non-MAGI Medi-Cal programs listed in the chart below. Effective January 1, 2025, the new maintenance need should be reflected in the share of cost NOAs. The department is currently engaged in notice improvements for SOC notices which will be released in a separate ACWDL.

Outreach

¹ If net income is at or below the ABD FPL of 138 percent, then member is eligible for free Medi-Cal.
² If member does not use medical services for that month, then no SOC is paid for that month.

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DHCS plans to notify those individuals who will be impacted by SOC reform prior to the implementation date with the upcoming changes to share of cost calculation that will help to reduce or eliminate their SOC. In October 2024 the targeted outreach population will be identified in MEDS. Approximately 60 days prior to January 1, 2025, all individuals impacted by SOC reform will receive an outreach mailer from DHCS. Counties will be required to include the outreach notice with approval notices for individuals who apply for Medi-Cal after October 1, 2024, and up to January 1, 2025, if the eligibility determination resulted in a SOC.

If you have any questions, or if we can provide further information, please contact Gabe Doria, by phone at (916) 775-0407 or by email at Gabe.Doria@dhcs.ca.gov, or Andrey Bodrov, by phone at (916) 345-8675 or by email at Andrey.Bodrov@dhcs.ca.gov.

Sincerely,

Yingjia Huang
Assistant Deputy Director
Health Care and Benefits
Department of Health Care Services

Enclosure

State Medi-Cal Programs with a Share of Cost	
Program name	Aid code
Aged, Blind, and Disabled Medically Needy (ABD MN)	17, 27, 67, C2, C4, C8
Aid to Families with Dependent Children (AFDC) – Medically Needy (MN)	37, C6
Medically Indigent (MI)	81, 82, 83, 87, D1, D9
Multipurpose Senior Services Program (MSSP)	1Y
Refugee Medical Assistance and Trafficking and Crime Victims Assistance Program (TCVAP)	02, 4V, 7V
Pending SB 87 Disability Determination	5R, 6R
Disabled - Substantial Gainful Activity (SGA)	6S
Department of Developmental Services (DDS) Waivers	6W
Medi-Cal Home and Community Based Alternatives (HCBA) Waiver	6Y
Medi-Cal County Inmates Hospital Inpatient Services and Juvenile Inmate	G3, G4, G7, G8
County Compassionate Release	J2, J4