

## DEPARTMENT OF HEALTH SERVICES

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SACRAMENTO, CA 94234-7320



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

March 5, 1992  
Letter No.: 92-18

SUBJECT: ARTICLE 9 - PROCEDURES, 9H2 - EXCESS PROPERTY APPLIED TO MEDICAL  
BILLS

The purpose of this memo is to transmit to the counties, "Medi-Cal Eligibility Manual, Procedures Section, Article 9, Subsection 9H2 - Excess Property Applied to Medical Bills". Counties must use this process whenever excess property has been paid, encumbered, or liened as payment for medical expenses in a month for which Medi-Cal has been requested.

The entire property section of the procedures is in the process of being rewritten. It will include all of the All County Welfare Directors Letters which are not obsolete and policy which is not completely explained in regulation.

The "Table of Contents" for the property section has been included here so that counties will see how the section is to be arranged. An updated "Table of Contents" will be provided whenever there is a change.

Also included with this letter is a copy of the "Medi-Cal Notice to Providers - Clarification of Liability" (MC 174). This form must be completed by counties and the applicant/beneficiary, and then sent to the listed provider(s) as notice not to bill Medi-Cal for the indicated services. Counties must duplicate this form until a supply is available in the warehouse.

If you have any questions on this issue, please feel free to call Sharyl Shanen-Raya of my staff at (916) 657-2942.

Sincerely,

ORIGINAL SIGNED BY

Frank S. Martucci, Chief  
Medi-Cal Eligibility Branch

Enclosures

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**MEDI-CAL ELIGIBILITY MANUAL - PROCEDURES**  
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**ARTICLE 9 - PROPERTY**  
**9H2 - EXCESS PROPERTY APPLIED TO MEDICAL BILLS**

**SCOPE:**

This procedure instructs counties how to inform providers not to bill Medi-Cal for services when payment, encumbrances or liens of excess property have enabled the applicant/beneficiary to establish or maintain Medi-Cal eligibility for that month.

**BACKGROUND:**

Section 14019.3(d), Welfare and Institutions Code specifically prohibits billing Medi-Cal and reimbursing beneficiaries for services paid for, or obligated by an applicant/beneficiary to meet the share of cost or to establish eligibility.

**WHEN TO USE THIS PROCEDURE:**

The following procedure shall be implemented effective July 1, 1992, through the use of information obtained from the Statement of Facts (MC 210) and the interview process.

There are three situations (other than the share of cost process) in which a beneficiary, rather than Medi-Cal, remains liable for medical expenses incurred by him/her in a month for which Medi-Cal is requested.

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**MEDI-CAL ELIGIBILITY MANUAL - PROCEDURES**  
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Situation 1: When an applicant has medical bills in a month for which retroactive coverage is being requested and he/she specifies excess property was reduced, encumbered, or liened to pay those bills before the end of that retroactive month.

Situation 2: When an applicant specifies that excess property was reduced during the month of application, through payment of, or encumbrances or liens to pay for medical expenses.

Situation 3: When a period of ineligibility due to a transfer of property occurring before January 1, 1990, expires mid-month and actual medical expenses in that month were used to reduce the period of ineligibility. Only the actual medical expenses used to reduce the period of ineligibility, or used to meet that month's share of cost, may not be billed to Medi-Cal. All other medical services may be billed to Medi-Cal.

NOTE: Under the share of cost process, where a beneficiary's excess income must be applied towards his/her medical care, providers are clearly aware of which services may not be billed to Medi-Cal. Please note that the same medical expenses cannot be used to meet an applicant or beneficiary's share of cost.

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**MEDI-CAL ELIGIBILITY MANUAL - PROCEDURES**  
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**PROCEDURE:**

The Statement of Facts for Medi-Cal (MC 210), includes questions related to this issue. If you are completing an eligibility determination involving one of the three situations listed above:

1. Complete the Medi-Cal - Notice to Providers - Clarification of Liability (MC 174), with the information (regarding medical bills and property) that you have obtained from the applicant/beneficiary. Complete a separate notice for each provider of services.
2. Have the applicant/beneficiary complete, sign and date the authorization for release of information on each MC 174.
3. Mail the original of each MC 174 to the provider listed.
4. Provide a copy of each MC 174 to the applicant/beneficiary.
5. Maintain a copy of each MC 174 in the case record for audit purposes.

**EXAMPLES:**

The following examples illustrate cases in which applicants/beneficiaries remain liable.

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Example 1: A single father of two children went into the hospital and incurred \$10,000 worth of medical bills in that month. He had \$5,000 in a savings account. He was discharged in that same month. He withdrew his money and paid his hospital bill in that month. The following month he went into the county to apply for retroactive coverage. On the Statement of Facts and during the interview he states, and provides verification, that he was in the hospital, that the total bill was \$10,000, and that he paid \$5,000 of the bill with the money from his savings account. In addition, the person had a \$10,000 life insurance policy with a cash value of \$300 and a checking account with \$500, for a total of \$800 of nonexempt property in the retroactive month.

The property reserve limit is \$3,150 for a MFBU of three. The family is under the appropriate property limit. However, had the father not spent the \$5000, he would have been over the property limit in that retroactive month. The county must determine what portion of the \$5000 spent on medical expenses represented excess property.

\$5000	Property Spent on Medical Care
+ 800	Cash Surrender Value & Checking
5800	Total
- 3150	Property Limit
\$2650	Would Have Been Excess Property

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**MEDI-CAL ELIGIBILITY MANUAL - PROCEDURES**  
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Therefore, of the \$5,000 this person paid toward his medical expenses, only \$2,650 was excess property which may not be reimbursed to the person. If the person is determined eligible for Medi-Cal, the county should complete the MC 174 informing the hospital that Medi-Cal is not liable for \$2,650 of the \$10,000 bill. If the family has no share of cost, the hospital must bill Medi-Cal for the services minus the \$2,650 of the \$5,000 which the beneficiary paid. The hospital must reimburse \$2,350 (\$5000 - \$2650) to the beneficiary once Medi-Cal pays the claim.

**NOTE:** None of the \$2650 in medical expenses in the example above, may be used to meet the applicant/beneficiary's share of cost should there be one. If the applicant/beneficiary in the example above had a share of cost, all or a portion of the \$2350 which the applicant/beneficiary paid the hospital could have been applied toward the applicant/beneficiary's share of cost. If any were used toward the share of cost, that portion listed on the MC 177 could not be billed to Medi-Cal or reimbursed to the applicant/beneficiary.

Example 2: A single parent with one child applies for Medi-Cal in the middle of a month because his/her child was injured and incurred medical expenses amounting to \$800. Assume no income was, or will be, received in that month. This is a 2 person MFBU so the property limit is \$3,000.

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**MEDI-CAL ELIGIBILITY MANUAL - PROCEDURES**  
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The person provides verification which indicates that he/she had \$4,000 in a checking account at the beginning of the month. At the time of application, the verification shows a balance of only \$2400. When asked what he/she spent the excess property on, the parent says that rent was \$600, the car payment was \$300, utilities were \$100, groceries amounted to another \$100 and he/she paid the medical bill of \$800. The property reserve limit is \$3000; the nonexempt property is \$2,400, so the family meets property limits. However, had the \$800 medical bill not been paid, the family would have had excess property. Since the \$800 was spent on medical expenses, the county must determine what portion represented excess property.

\$ 800	Property Spent on Medical Care
+ <u>2400</u>	Checking
\$ 3200	Total
- <u>3000</u>	Property Limit
\$ 200	Would Have Been Excess Property

Therefore, of the \$800 bill, only \$200 was excess property. In this case, the MC 174 should be completed indicating that the beneficiary is liable for only \$200 of the \$800 bill. The hospital must bill Medi-Cal for services of \$600 (\$800 - \$200). The beneficiary will be reimbursed \$600 once Medi-Cal pays the claim.

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**MEDI-CAL ELIGIBILITY MANUAL - PROCEDURES**  
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Example 3: The county has calculated a period of ineligibility for an institutionalized individual due to a transfer of property occurring before January 1, 1990. That person incurred (but did not yet pay) additional medical expenses of \$2,000 in the month.

Up to \$2,000 may be used to reduce the period of ineligibility. However, assume that only \$100 of the \$2,000 reduces the period to zero which ends the period of ineligibility mid-month. The county should complete the MC 174 indicating that the beneficiary is liable for \$100 of the expenses. The remaining expenses may be applied to the share of cost, if any, or billed to Medi-Cal. In this case, since the beneficiary had not yet paid any of the expenses, he/she will not receive any reimbursement from the provider.

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**MEDI-CAL ELIGIBILITY MANUAL - PROCEDURES SECTION**  
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# MEDI-CAL INFORMATION NOTICE TO PROVIDERS CLARIFICATION OF LIABILITY

**NOTE:** If you are not a Medi-Cal provider please disregard this notice.

\_\_\_\_\_  
(Provider's Name)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, State, Zip Code)

Dear \_\_\_\_\_  
(Provider's Name)

This is to provide you with notification that the Medi-Cal Program is not liable for services provided:  
*La presente es para notificarle que el programa de Medi-Cal no es responsable de los servicios proporcionados:*

To: \_\_\_\_\_  
A: \_\_\_\_\_  
(Name of Beneficiary) (Nombre del Beneficiario)

On: \_\_\_\_\_, totaling \$ \_\_\_\_\_  
En: \_\_\_\_\_ (Date) (Fecha) con un total de

\_\_\_\_\_, totaling \$ \_\_\_\_\_  
(Date) (Fecha) con un total de

\_\_\_\_\_, totaling \$ \_\_\_\_\_  
(Date) (Fecha) con un total de

The expenses indicated above were used by the beneficiary to reduce the value of excess property to establish or maintain Medi-Cal eligibility for the month of \_\_\_\_\_, 19\_\_\_\_. Under Section 14019.3(d), Welfare and Institutions Code, the beneficiary is not entitled to a refund or release of his/her liability for these expenses. (Medi-Cal is not liable for these medical expenses.) None of these expenses used by the beneficiary to reduce the value of his/her excess property, may be used to meet his/her share of cost.

*Los gastos que se indican arriba fueron usados por el beneficiario para reducir el valor de bienes en exceso, para establecer o continuar reuniendo los requisitos para Medi-Cal para el mes de \_\_\_\_\_, 19\_\_\_\_. En conformidad con la sección 14019.3(d) del Código de Bienestar e Instituciones, el beneficiario no tiene derecho a reembolso o liberación de su responsabilidad con relación a estos gastos. (Medi-Cal no es responsable de estos gastos médicos.) Ninguno de estos gastos que usó el beneficiario para reducir el valor de sus bienes en exceso, puede ser usado para cumplir con su parte del costo.*

\_\_\_\_\_  
(Eligibility Worker) (Trabajador(a) de Elegibilidad) (Phone Number) (Número de Teléfono) (Date) (Fecha)

## PERMISSION TO RELEASE INFORMATION PERMISO PARA REVELAR INFORMACION

I give my permission to the County Welfare Department to release this information to \_\_\_\_\_  
(Provider's Name)

*Doy mi permiso al departamento de bienestar del condado para que revele información a \_\_\_\_\_  
(Nombre del Proveedor)*

\_\_\_\_\_  
(Applicant's Signature) (Firma del Solicitante)