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**Department of Health Services**

April 17, 2002



GRAY DAVIS  
Governor

MEDI-CAL ELIGIBILITY PROCEDURES MANUAL LETTER NO.: 264

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

ARTICLE 5B – FOUR-MONTH CONTINUING ELIGIBILITY, TRANSITIONAL  
MEDI-CAL, AND WEDFARE

Enclosed are updated pages for the Transitional Medi-Cal (TMC) program. The changes and additions are marked with a blank line in the right hand margin.

The Department of Social Services will no longer be sending out their version of the TMC flyer. Example 12 has been replaced because it was incorrect and conflicted with Example A on Page 5B-4 (B)(2).

**Filing Instructions:**

**Remove Pages:**

Article 5B  
Pages 5B-7 through 5B-14

**Insert Pages:**

Article 5B  
Pages 5B-7 through 5B-14

If you have any questions, please contact Ms. Margie Buzdas of my staff at (916) 657-0726.

Sincerely,

Original signed by

Richard Brantingham  
Acting Chief  
Medi-Cal Eligibility Branch

Enclosures



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## MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

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considered. If yes, the family is eligible for extended Medicaid benefits. The increase in earnings from employment was essential to the loss of CalWORKs or Section 1931(b) eligibility. Without that increase, the family would not have lost CalWORKs or Section 1931(b) eligibility.

Example A: The caretaker relative, in a family with no other income, becomes employed on June 1 and reports countable earned income of \$400 in June. At the same time the caretaker relative reports that beginning with June, the family is receiving monthly unearned income of \$800. Assume the CalWORKs standard is \$775 and the family is no longer eligible for CalWORKs or Section 1931(b) in June due to excess income which is both earned and unearned.

Step 1. Did the increase in income result in termination if all other factors remained the same? The answer is "no". The earned income of \$400 alone did not result in the loss of CalWORKs or Section 1931(b). That is, if all other factors in the case remained the same, the \$400 would not have caused ineligibility. Continue to Step 2.

Step 2. Did other events cause the termination? The answer is "yes". The unearned income alone would have resulted in the loss of CalWORKs or Section 1931(b). Therefore, the family is not eligible for TMC. Do not continue to Step 3.

That is, the \$800 increase in unearned income was sufficient alone to make the family ineligible for AFDC even if all other factors stayed the same.

Example B: The principal wage earner (PWE), in a family with no other income, becomes employed on June 1 and reports countable earned income of \$700 in June. In July, one child leaves the household. As a result, the income standard for the family in July is reduced to \$624. The family is no longer eligible for Section 1931(b) in July due to excess income, all of which is earned. However, the family is not eligible for TMC because the earnings of the PWE did not increase in July, the month in which Section 1931(b) eligibility was lost.

Example C: A caretaker relative is employed and has monthly countable earned income of \$375. The caretaker relative reports that she no longer has to pay for day care in June because free care is available. Without child care expenses, her countable earned income increased to \$750 in June.

The family is no longer eligible for Section 1931(b) in June because of excess income. However, the family is not eligible for TMC because the earnings of the caretaker relative did not increase in June, the month in which Section 1931(b) eligibility is lost.

Example D: A mother and her child are recipients of Section 1931(b) on the basis of absence of the father. The father returns home and is determined to be the PWE. He is working over 100 hours and the parent's earned income is over the Unemployed Parent deprivation limit which is required because there has been a change in deprivation. The family's income is also over the Section 1931(b) limit. This family is not eligible for TMC because the family was discontinued from Section 1931(b) due to loss of deprivation rather than increased hours or earnings from the mother's employment. She was the caretaker/principal wage earner in the home. NOTE: The Wedfare program (described in Section 3) is no longer applicable.

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## MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

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### E. Reporting Requirements

1. The family should receive a Notice of Action (NOA) upon approval of TMC which also informs them to keep their earning and child care receipts.
2. In the third month, the MC 176 TMC status report should be sent to the family informing them to report by the 21st day of the next month (fourth), the family's gross monthly earnings and the cost for child care necessary for the employment of the caretaker relative or principal wage earner for the preceding three months (months 1, 2, and 3). In the sixth month, the MC 176 TMC status report should be sent to the family informing them to report the same information by the 21st day of the next month (seventh), for each of months 4, 5, and 6 and in the tenth month for months 7, 8, and 9.
3. There are no reporting requirements for the second year of TMC.

This status form (MC 176 TMC) has been revised so that more information is requested so that the county can evaluate the family for other Medi-Cal programs if the family is no longer eligible for TMC. The earnings from employment and child care costs are used to determine whether the family is eligible for the additional six months and the second year of TMC. If the income goes down, the family should be reevaluated for Section 1931(b) or other no cost Medi-Cal programs. Families who fail to report by the 21st day of the required months must be provided a ten-day notice prior to termination unless the county determines that they have good cause for filing late as specified in Title 22, Section 50175 of the California Code of Regulations.

### F. Determining Earned Income

Family earnings must remain at or below 185 percent of the FPL to be eligible for additional TMC. The average monthly gross earnings for the preceding three-month period after deduction of any monthly child care expenses necessary for the employment of the caretaker are compared to 185 percent of the FPL for the current family size even if some family members are not eligible for TMC. Child care expenses that are reimbursed by the State are not allowable nor are any other deductions. Family earnings include those of a child as well as the parent(s) or parent and stepparent. Sneede rules apply. Persons who are not eligible for TMC and are receiving Medi-Cal under another program such as the Section 1931(b), Medically Needy, or Medically Indigent program (except PA or Other PA) are included in the TMC case to determine family size. Their earnings from employment are counted to determine whether the family is eligible for the second six months or second year of TMC. A person who is not receiving any Medi-Cal benefits and does not wish to be added to the TMC case, such as a absent parent returning home during the TMC period of his family, is not required to be included and his/her income is not counted, nor is he/she considered in the family size.

Example: The Smith family budget (four members of the household).

<u>Month</u>	<u>Gross Earned Income</u>	<u>Child Care Expenses</u>
May	\$200	\$ 95
June	\$300	\$105
July	<u>\$400</u>	<u>\$100</u>
Total	\$900	\$300

Average Monthly Gross Income = \$900 divided by 3 = \$300  
Average Monthly Child Care = \$300 divided by 3 = \$100  
Adjusted Monthly Income \$200

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## MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

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A family is income eligible for TMC when its "adjusted" monthly income is less than or equal to 185 percent of the FPL for a family of that size. For purposes of the TMC program, adjusted monthly income is the family's average monthly gross income less the family's average monthly expenses for child care. Thus, in the above example the family is income eligible for TMC because its adjusted monthly income of \$200 is less than 185 percent of the FPL for four persons. After calculating the adjusted monthly income, round it to the nearest dollar before comparing to the 185 percent of the FPL income standard. Use the usual Medi-Cal rounding rules: if the decimal number is .49 or less, round down; and if the decimal number is .50 or larger, round up. Unearned income is not counted when computing this income test. Individuals receiving TMC are not affected by excess resources.

NOTE: Self employed persons are allowed to deduct actual business expenses from their gross earnings, but they are not allowed the 40 percent "deduction" from their total business revenue as may be allowed in the Section 1931(b) program.

If the family had no earnings in one or more of the months in the preceding three-month period unless the lack of earnings were due to involuntary loss of employment or illness, the family is no longer eligible for TMC. Evaluate the family for Section 1931(b). NOTE: It may be more beneficial to put the family back on Section 1931(b) even though they are still eligible for TMC if they involuntarily lost their job or the PWE is now incapacitated.

### G. Intercounty Transfer

Persons receiving TMC who move to another county are treated no differently from any other family receiving regular Medi-Cal in accordance with Section 50137.

### H. Aid Codes

#### 39 Initial TMC Full Scope

Persons who are eligible for initial TMC should be reported to MEDS under aid code 39.

#### 59 Additional TMC Full Scope

Persons who are eligible for additional TMC should be reported to MEDS under aid code 59.

#### 3T Initial TMC (Emergency and Pregnancy-Related Benefits Only)

This initial six-month aid code should be used for aliens who do not have satisfactory immigration status (SIS).

#### 5T Additional TMC (Emergency and Pregnancy-Related Benefits Only)

This additional six-month aid code should be used for aliens who do not have SIS.

#### 5X Second Year State Only TMC (Zero SOC) Full Scope

This aid code should be used for citizens and aliens with SIS who are age 19 and older and who received the first year of federal TMC benefits. Pregnant women in this aid code should also be reported to MEDS in the secondary aid code if they are eligible under the Income Disregard program (aid code 44) to secure some federal financial participation. Aliens with SIS receiving Medi-Cal benefits in Aid Code 5X must have their alien status tracked per instructions in ACWDL 97-42.

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## MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

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### 5Y Second Year State Only TMC (Zero SOC) Emergency and Pregnancy-Related Benefits Only

This aid code should be used for aliens who do not have SIS, are age 19 and older, who received the first year of restricted federal TMC benefits under Aid Code 5T. Pregnant women in this aid code should also be reported to MEDS in the secondary aid code if they are eligible under the Income Disregard program (aid code 48) to secure some federal financial participation.

The MEDS edits have been removed which prevented counties from adding persons to TMC who were not in a CalWORKs, Edwards, or Section 1931(b) aid codes in the previous month.

#### I. MFBU Composition, Linkage, and Sneede v. Kizer

Persons receiving TMC shall be ineligible members of the MFBU of those persons who are not eligible for TMC when determining Medi-Cal eligibility for other family members and may use their noncovered Medi-Cal health care costs to reduce other family members' or responsible relatives' share of cost in accordance with Section 50379 and the Sneede v. Kizer lawsuit settlement.

It is possible that some persons will be eligible for Section 1931(b) and some will be eligible for TMC because deprivation still exists for certain family members. For example, assume unmarried parents with mutual and separate children are eligible for Section 1931(b) based on the father's incapacity. The father recovers and is determined to be the Principal Wage Earner. Since he is working 100 hours or more and there has been a change in circumstances, the earned income U-Parent test is required. The family fails this test. Dad and the mutual children are eligible for TMC due to increased hours of employment, but the mother and her separate children are still income eligible for Section 1931(b) as recipients based on absence of the separate children's father. It is also possible that a family is eligible for TMC, but their 20 year old "child" is not because he/she does not meet the definition of a child for Section 1931(b) or the first year of TMC. He is aided as an MI.

Due to Sneede rules, some persons may continue to be eligible for Section 1931(b) even if some of the other family members are over the income or resource limits and eligible for TMC. Section 1931(b) persons may continue to receive Medi-Cal until they are no longer eligible. If they have received Medi-Cal under the Section 1931(b) program for three of the last six months, and have been terminated for increased hours or earnings from employment, they are then entitled to TMC for the entire TMC period if they remain eligible even though other members of the family have already been receiving TMC in prior months. They will have status reporting due dates different from the other members of the family who began TMC in earlier months.

#### J. Returning to CalWORKs or Section 1931(b)

If a family returns to CalWORKs or Section 1931(b) during any of the TMC periods and is then terminated due to another reason which does not meet the requirements of TMC, e.g., is not related to employment or does not meet the three out of the preceding six-month requirement, the family is eligible for the remainder of the original TMC period if they are otherwise eligible. The months of zero share-of-cost Medi-Cal which the family received when they returned to CalWORKs, aid code 38, or Section 1931(b) are counted as if TMC were received in those months, i.e., they are counted as part of Initial or Additional TMC or the second year of TMC for purposes of determining the remaining months in the original TMC period. If they meet the requirements of TMC when terminated, they are evaluated again for a new initial TMC period.

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## MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

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Example: The family was terminated from CalWORKs due to increased hours or earnings from employment of the caretaker relative. They received TMC for four months. The caretaker became unemployed and the family was again eligible for CalWORKs. After two months, the caretaker found another job and was terminated from CalWORKs. The family is not eligible for a new Initial TMC period because they did not receive CalWORKs or Section 1931(b) for three out of the preceding six-month requirement. They are eligible to receive an additional six months of the original TMC period (if all other eligibility criteria are met) because the two months of CalWORKs cash-based Medi-Cal counted as if TMC were received and this completes the initial TMC period.

### K. The TMC Flyer

Senate Bill (SB) 391, Chapter 294, Statutes of 1997, amended Section 14005.76 of the Welfare and Institutions (W&I) Code to require the Department of Health Services (DHS) to implement certain informing provisions in the TMC program. The first informing provision was to be implemented May 18, 1998. This section now requires that:

- A written TMC notice (flyer) be given to CalWORKs and Section 1931-Only recipients at the time that Medi-Cal eligibility is conferred and every six months thereafter. The Department developed a TMC flyer and form to meet this requirement. Counties are responsible for providing the flyer and form to new beneficiaries. Counties may provide the flyer and notice to applicants rather than newly approved beneficiaries if it is more convenient. DHS will mail the flyer and notice to these persons every six months.
- The above flyer and form are to be provided to recipients when they are terminated from CalWORKs or Section 1931-Only for failure to meet reporting requirements. NOTE: Since status reporting for regular Medi-Cal programs has been eliminated, the flyer and form should be sent out with the discontinuance notice if the family fails to respond to the annual redetermination request.

Assembly Bill 2780, Chapter 310, Statutes of 1998, required the Department of Social Services (DSS) to send a brief summary of the requirements of TMC and a form which can be returned when any individual or family is discontinued from CalWORKs for reasons other than fraud. However, DSS stated on January 28, 2002, that this flyer and form will be discontinued because SB 87, Chapter 1088, Statutes of 2000, requires that all persons who are terminated from CalWORKs must continue to receive ongoing Section 1931(b) benefits until they are determined ineligible.

### L. Questions and Answers

1. Even though TMC is no longer available to an 18-year-old person not enrolled in school and expected to graduate before age 19 because he or she is not eligible for CalWORKs or Section 1931(b), should the county terminate those beneficiaries who are currently receiving TMC under the old rules?

No. Until the TMC regulations are final, counties should continue to allow those persons between 18 and 21 to receive TMC; however, counties should not put any new persons into TMC who are considered adults under Section 1931(b). If they should become adults during the TMC period, they may remain unless there is no other eligible child in the home. In that case, the family must be discontinued from TMC.

2. When the first year of TMC ends, is the beneficiary evaluated for Section 1931(b) again before granting the second year of TMC?

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## MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

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The parents are not routinely evaluated unless their earnings decreased which might lead to Section 1931(b) eligibility or an annual redetermination is due. Since the children are not eligible for the second year of TMC, they should be evaluated for Continuous Eligibility, other Medi-Cal programs, or the Healthy Families program if they have a SOC.

3. Is the family eligible for TMC if they lose CalWORKs or Section 1931(b) due to increased earnings from State disability, or temporary Workers Compensation?

No. As in the current TMC program, only an increase in earnings from actual employment can make the family eligible for the TMC program.

4. If a family's income drops while receiving TMC, should counties redetermine eligibility for Section 1931(b) or CalWORKs?

Yes. Section 1931(b) is more beneficial to the family since there are no time limits. However, the family must pass the U-Parent test if the PWE is working 100 hours or more and must meet applicant rules if they do not return to Section 1931(b) within four months.

5. If a family received CalWORKs for two months before being terminated and Section 1931(b) for two months before being ineligible due to increased earnings from employment, can they have TMC based on receiving CalWORKs or TMC for three of the last six months?

Yes.

6. In the second six months and the second year of TMC, do we use the limit for the entire family even if there is a 20-year-old who is not receiving TMC when comparing the TMC family's average last three month's earnings minus child care deductions to 185 percent of the Federal Poverty Level? If yes, do we also include the income of other family members receiving Medi-Cal who are not eligible for TMC?

Yes. The family size includes everyone who is a family member in the household if they are receiving TMC or other Medi-Cal except it does not include the person who is PA or Other PA. The earned income of the other family members is also included when comparing the total to the 185 percent limit.

7. If the TMC flyer is returned months after the CalWORKs or Section 1931(b) case has been terminated and it is determined that the family was terminated for increased earnings from employment, should the county process the case for TMC?

Yes. If the family still meets the TMC eligibility criteria, they may be eligible for TMC if they are not eligible for Section 1931(b). The county must report the TMC aid code 39 retroactively to MEDS immediately following the CalWORKs, aid code 38, or Section 1931(b) aid code when they were terminated and the family may only receive the remainder of the initial TMC period. If eligible for the next six months, they may continue.

8. May an employed parent return home and be added to the TMC case with the other parent and children?

Yes. He/she may be added if his/her income/resources would have been included in the CalWORKs or Section 1931(b) case. If he/she chooses to be added, his/her income will be counted. Once added, he/she may not be later excluded.



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## MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

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9. May an 18-year-old child who is not enrolled in school return home and be added to the TMC unit?

Not unless he/she would have met the definition of a child if he/she had been in the home at the time that TMC began.

10. May undocumented parents be added to the TMC unit with their children if their citizen children were terminated from CalWORKs due to increased earnings of the PWE and the family is not eligible for Section 1931(b) even if the parents never received benefits under Section 1931(b)?

Yes. The parents could receive restricted TMC benefits because they were members of a family who received CalWORKs and their income was used in the CalWORKs determination.

11. May a "child" who is 19, or 20 be added to the second year of TMC with his/her parents and other siblings?

Not unless he/she would have met the definition of a child if he/she had been in the home at the time that the Initial TMC began.

12. If the family is determined to have excess property during the TMC period or at the time of the TMC determination, is the family still eligible for TMC?

Yes. There are no property requirements for the TMC program.

13. May a family be discontinued from TMC for failure to complete a request for information that is not required for the TMC program?

No. Redeterminations are not required during the TMC nor should the county request information or verifications which are not applicable to the TMC program.

14. If the stepparent with no children of his/her own is not the PWE and his/her earnings from employment cause the family to lose Section 1931(b), is the family eligible for TMC?

Yes, if the stepparent meets the definition of a caretaker relative because he/she shares in the care and control of his/her spouse's children. Counties are not required to verify this for TMC purposes.

15. Is there a limit to amount of child care expenses which are necessary for the employment of the parents or spouse of a parent?

No.

16. If the county receives information that would cause the TMC family to lose eligibility, e.g., the earned income went above the 185 percent FPL limit in the Additional TMC period, may the county take action to terminate the family prior to the date the TMC status report is due?

No. Federal law only requires the family to report on specific dates and the earned income must be the average of the previous three months minus child care expenses.

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## MEDI-CAL ELIGIBILITY PROCEDURES MANUAL

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17. Since there are no status reports required in the second year of TMC, may the county terminate the TMC family at any time during that year if their earned income goes above the 185 percent FPL limit?

Yes. As long as the calculation is the same as used for the Additional TMC Period and the three month average was not already used in a previous calculation.

18. If the parent was terminated from Section 1931(b) due to increased earnings and is eligible for TMC, but the child was previously only eligible for the MN program with a SOC or the Percent programs due to Sneed, is the child also now eligible for TMC ?

Yes. The child may be added to the TMC case with the parent.

### 3. WEDFARE

Wedfare was a federal demonstration project initiated by the Department of Social Services that was effective October 1, 1995, and provided TMC to families who were discontinued from AFDC due to marriage or the reuniting of spouses. These families were discontinued because of excess assets, excess income, or they no longer met the deprivation requirements. This program did not apply to unmarried parents who reunited. This program did not apply to certain control cases in some counties. The same basic rules, regulations, and aid codes applied to persons receiving TMC due to the Wedfare program as those receiving TMC due to the loss of the disregard or increased hours or earnings from employment. Wedfare persons were not eligible for the Second Year of TMC. This special waiver group ended June 30, 1999. Families who were receiving TMC under the Wedfare provision continued receiving benefits until their maximum of one-year federal TMC benefits was completed.

### 4. FORMS (English and Spanish)

1. MC 176 TMC Quarterly Status Report	Revised 11/00
2. MC 176 TMC (SP) Quarterly Status Report	Revised 11/00
3. MC 176 TMC A Quarterly Status Report (Pin Fed)	Revised 11/00
4. MC 176 TMC A (SP) Quarterly Status Report (Pin Fed)	Revised 11/00
5. MC 239 TMC-1 Approval	Revised 3/01
6. MC 239 TMC-1 (SP) Approval	Revised 3/01
7. MC 239 TMC 2 Denial/Discontinuance	Revised 11/01
8. MC 239 TMC 2 (SP) Denial/Discontinuance	Revised 11/01
9. MC 239 TMC-3 Second Year Approval	Revised 7/01
10. MC 239 TMC-3 (SP) Second Year Approval	Revised 7/01
11. MC 323 Four-Month Continuing Approval	Revised 8/01
12. MC 323 (SP) Four-Month Continuing Approval	Revised 8/01
13. MC 357 Four-Month Continuing Denial/Discontinuance	New 11/01
14. TMC Flyer and the MC 325 Back	Revised 4/01