

DEPARTMENT OF HEALTH SERVICES

714/744 P STREET
SACRAMENTO, CA 95814

October 25, 1984



To: All County Welfare Directors

Letter No. 84-45

IBARRA V. RANK

Reference: ACWD Letters 83-30, 83-64 and 83-80

On July 18, 1984 the President signed into law the Deficit Reduction Act (DEFRA) of 1984 (P.L. 98-369). As part of the Act, earned income has been clearly defined as the gross amount of earnings prior to the deduction of actual mandatory payroll deductions.

As you are aware, the Turner vs. McMahon court order in the AFDC Program and the Ibarra vs. Rank court order in the Medi-Cal Program interpreted the term "earned income" to mean net income, and thus required that actual mandatory payroll deductions be allowed as a deduction from income.

As a result of the clarified definition of earned income under DEFRA, the Department of Health and Human Services requested the U.S. Supreme Court to stay the order in Turner. The stay has been granted and will be argued before the Supreme Court this Fall.

Please note, there has been no such stay granted in Ibarra. We are currently pursuing through the Attorney General's Office a motion for relief from the prospective application of the injunctive order issued in Ibarra. If the motion is granted, we will issue further county instructions. Therefore, counties must continue to follow the Ibarra directives outlined in ACWD letters 83-30, 83-80.

Persons discontinued from AFDC due to the stayed order of Turner (i.e. the termination of the actual mandatory payroll deduction allowance) are not eligible for four month continuing Medi-Cal. In accordance with Section 50243, "Four Month Continuing Eligibility", persons discontinued from AFDC due to "increased earnings from employment or increased hours of employment" are eligible for four month continuing. The termination of a deduction allowance is not considered an increase in earnings or hours of employment.

All County Welfare Directors

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If you or your have any questions, please contact Catherine Buber-Chatten at (916) 324-4971.

Sincerely,

Original signed by

Doris Z. Soderberg, Chief
Medi-Cal Eligibility Branch

cc: Medi-Cal Liaisons
Medi-Cal Program Consultants