

DEPARTMENT OF HEALTH SERVICES

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OCTOBER 5, 1989

TO: All County Welfare Directors
All County Administrative Officers

Letter No.: 89-85

SUBJECT: ADVANCE COPY OF PROCEDURES SECTION 9-M - CASH PAYMENTS FOR
MEDICAL AND SOCIAL SERVICES

The purpose of this letter is to forward to you an advance copy of Procedures Section 9-M for treating certain cash payments received for medical or social services. This change is being made because the Supplemental Security Income/State Supplemental Program allows the same treatment and the federal Social Security Act requires that the Medi-Cal program may be no more restrictive than the cash assistance program. These procedures shall be effective September 1, 1989. Corresponding changes to Title 22, California Code of Regulations are in process. The printed versions of the regulations and procedures shall be forwarded to you as soon as possible.

If you have any questions on this issue please call Sharyl Shanen at ATSS 8-454-4956 or (916) 324-4956.

Sincerely

ORIGINAL SIGNED BY

Frank S. Martucci
Chief

cc: Medi-Cal Policy Liaisons
Medi-Cal Program Consultants

Enclosures

EXPIRATION DATE: October 5, 1990

PROCEDURES 9-M

Certain cash payments received for medical or social services shall be exempt as resources in the calendar month following the month of receipt (the second month). The reason for this resource exemption in the month following receipt (the second month) is to ensure that the cash payments will be available for the use intended by the providing agency even if the beneficiary is unable for some reason to pay for the medical or social services in the month the cash payment was received. Please note that there is no need to pursue the exemption of these payments if the MFBU would be within the property limits anyway should the payments be included in the property reserve. The Department does not expect that many cases will be affected by this change.

GENERAL

1. Any cash payment intended to pay for a medical or social service provided by a governmental medical or social services organization is exempt for one calendar month following the month of receipt.
2. Any cash from a nongovernmental medical or social services organization is exempt for one calendar month following the month of receipt when:
 - a. The cash is to pay for a medical or social service already received by the individual and approved by the organization; or
 - b. The cash is a payment restricted to the future purchase of a medical or social service.
3. This change does not apply to cash from any agency or insurance policy which pays a flat rate benefit to the recipient without regard to the actual expenses, incentive payments, or remuneration for sheltered employment.
4. This policy does not apply to cash payments received as reimbursements for medical or social services for which the beneficiary has already paid. In addition, please note that this policy change regarding treatment of these payments in the month following their receipt does not affect how you currently are treating them in the month of receipt. Continue, in the month of receipt, to treat these payments in accordance with Title 22, California Code of Regulations (CCR) pertaining to income and property. Then, if the payment is or will be retained in the following month, the county must determine whether its inclusion in the property reserve results in excess property in the following (or second) month. If the property limit is not exceeded, there is nothing more for the county to do. If, however, the property limit is or will be exceeded, the county must determine whether the cash is, in fact, a payment for a specific medical or social service or a

reimbursement, and if a payment, exempt it as a resource in the month following its receipt.

For purposes of this exemption, the following definitions apply. Medical services are those services which are directed toward diagnostic, preventive, therapeutic, or palliative treatment of a medical condition and which are performed, directed, or supervised by a State licensed health professional.

A social service is any service (other than medical) which is intended to assist a handicapped or socially disadvantaged individual to function in society on a level comparable to that of an individual who does not have such a handicap or disadvantage.

Payments for medical or social services may be provided by either a governmental or nongovernmental entity/program.

Governmental Medical or Social Service Programs

Examples of governmental agencies/programs making cash payments for a medical and/or social service (other than remuneration for sheltered employment and incentive payments which are addressed below) are California Children's Services, programs under the Lanterman Developmental Disabilities Services Act of 1976, Department of Vocational Rehabilitation programs, etc. (Payment from a governmental program which is disbursed by a nongovernmental agency is considered a payment from a governmental program for purposes of this section.)

Treatment of Payments from Governmental Medical or Social Service Programs:

Assume that when a governmental medical or social service program provides a cash payment for medical or social services, the payment may be used for such items only and is therefore exempt if retained in the month following its receipt.

Obtain evidence from the individual that the source of the cash is a governmental medical or social services program (e.g., program identification card, notice, or award letter) and then retain such verification in the case file.

If an applicant or beneficiary indicates he/she received a medical or social service payment from a governmental program which is not obviously a medical or social services program, (for example, when the agency provides other unrelated services as well), obtain verification from the applicant/beneficiary as to the fundamental purpose of the program. If the purpose is to provide medical or social service assistance, the payments are exempt as resources in the month following their receipt. (For purposes of this exemption, an intervening vendor is not considered the direct provider of the cash.)

NOTE: If it is unclear that the total amount of the payment is specifically for a medical or social service and that it may include some regular income, you need to verify how much of the cash payment is specifically for a medical or social service. For example, a Workers Compensation payment may include

regular monthly income plus an additional amount for transportation to and from a medical facility and funds to pay for a medical examination or treatment. The portion of the payment for transportation and the examination would be exempt in the month following its receipt. In the case of a lump sum payment under Title 22, CCR, Section 50455, only those portions for payment (not reimbursement) of medical and social services would be included in this exemption.

Nongovernmental Medical or Social Services Organizations

Examples of nongovernmental medical or social services organizations (including medical and liability insurers) which may make cash payments for medical or social services are the American Red Cross, Easter Seals, Shriners, etc. Payments from such organizations may be for services which were already received by the individual and approved by the organization but for which payment has not yet been made. Other payments may be restricted to the future purchase of a medical or social service. In either event, the payments for specific medical or social services are exempt as resources in the month following their receipt.

Treatment of Payments from Nongovernmental Medical or Social Service Programs:

If the individual alleges (or evidence indicates) the receipt of amounts in excess of the medical or social services expenses incurred, count the excess cash received as unearned income in the month of receipt.

Furthermore, because these organizations may also make payments for other purposes as well, you cannot assume that cash payments provided by a nongovernmental medical or social service organization can only be for medical or social service purposes. The purpose of the payment must be determined and only those payments for specific medical or social services can be exempt resources in the month following their receipt.

Document in the file that the cash is provided by a nongovernmental medical or social service organization. Obtain from the applicant or beneficiary, verification from the agency as to the purpose of the cash payment (e.g., that it is a payment for a service received and approved by the agency or it is restricted to the future purchase of a specific medical or social service) and that the providing program requires follow-up to verify that the funds were spent for the purpose given (e.g., the provider contacts the vendor or requests a receipt).

EXCEPTIONS

It should be noted that this exemption does not apply to cash payments made to reimburse the beneficiary for services already paid. Such reimbursements are to provide for a return of income or resources expended by the beneficiary and since the individual already paid for the services, there is no reason to allow an additional month to pay for the services. Therefore, these payments are to be counted in the month of receipt and the month following, in accordance with Articles 9 and 10 of Title 22 pertaining to income and property.

In addition, this exemption does not apply to:

1. Remuneration for work or for activities performed as a participant in a program conducted by a sheltered workshop or work activities center.
2. Incentive payments to encourage individuals to utilize specified facilities or to participate in specified medical or social service programs unless these payments are restricted as to their use and are not a reimbursement. (To the extent that the incentive payment is restricted for payment of a medical or social service and is not a reimbursement, it shall be exempt in the month following the month of its receipt.)
3. Cash from any agency or insurance policy which pays a flat rate benefit to the recipient without regard to the actual charges or expenses incurred. Examples of these types of agencies or insurance policies are per diem Unemployment Insurance benefits; Workers Compensation benefits; monthly Social Security and Vocational Rehabilitation benefits meant for income rather than for a specific medical and social service; per diem hospitalization or disability insurance, or cancer or dismemberment policies.

These exceptions shall be treated as usual in accordance with regulations pertaining to income and property.