Medi-Cal 201
Practical Tips to Navigate Medi-Cal and Large Lump Sum Payments

Presented by Kendall Holbrook, Esq.
How does Medi-Cal treat lump sum payments?
What makes this complex?

• Different Medi-Cal Programs
  – MAGI Medi-Cal
  – Traditional Medi-Cal
    • Aged & Disabled
    • Share of Cost
    • 250% Working Disabled Program

• Timing Issues
  – Lump sum payment is income the month it is received
  – Any money remaining in the following months is resource
What is a lump sum payment?

• Any money received as a one-time payment is considered a lump sum payment

• Examples:
  – Gifts and inheritances
  – Sick or vacation leave payout
  – Settlement from litigation
Lump Sum Payments as Income

- **MAGI Medi-Cal & Traditional Medi-Cal**
  - Gambling or lottery winnings
  - Court awards or settlements

- **MAGI Medi-Cal**
  - Retroactive Social Security disability benefits
  - Tax refunds

- **Traditional Medi-Cal**
  - Gifts and inheritances
    - First $60 is excluded if irregular or infrequent income
Lump Sum Payments as Resources

- No property test for MAGI Medi-Cal
- Traditional Medi-Cal programs have a property test
  - Creates a limit on the amount of monetary resources a beneficiary can have
Traditional Medi-Cal Property Limit

• Resource restrictions
  – Single individual = $2,000
  – Couple = $3,000

• Resources include:
  – Personal property, e.g., cash, stocks, motor vehicles
  – Real property

• Resource or property?
  – These terms are used interchangeably to describe a beneficiary’s assets
Traditional Medi-Cal Property Exemptions

• **Personal Property Exemptions:**
  – One motor vehicle of any value
  – Household items

• **Real Property Exemptions:**
  – Principal residence
  – Real property used in a business

• SSI & SSDI back pay exempt for 9 months
How can recipients of lump sum payments remain eligible for Medi-Cal?
Switch Medi-Cal Programs

• Ask to be screened for MAGI Medi-Cal
  – No property test for MAGI Medi-Cal

• MAGI Medi-Cal eligibility
  – Age between 19 and 64
  – Income <138% FPL
  – Not eligible for Medicare
    • SSDI beneficiaries not yet eligible for Medicare are eligible for MAGI Medi-Cal
Tips for Spending Down Resources

• Transfer for fair market value
• Keep receipts
• Examples of allowable spend down:
  – Pay medical bills
  – Pay home or auto loans
  – Pay off debt
  – Purchase clothing or home furnishings
Move Resources Into Exempt Accounts

• IRA, 401k, KEOGH plan, & pension
  – Exempt resource for 250% Working Disabled Medi-Cal
    • Annual contribution limits in 2019:
      – $6,000 if younger than 50
      – $7,000 if age 50-70
  – Exempt for other Traditional Medi-Cal programs if receiving regular payments from the account
    • Potential tax penalties if early withdrawal

• Savings account for earnings from work
  – Exempt resource for 250% Working Disabled Medi-Cal if other earnings not comingled with other funds
  – Interest on the account is income
Move Resources Into Exempt Accounts

• CalABLE Account
  – Savings account for individuals who became disabled before age 26
  – Used to pay Qualified Disability Expenses:
    • Education
    • Housing
    • Transportation
    • Employment support
    • Medical care and insurance premiums
  – CalABLE.ca.gov to open an account
Move Resources Into Exempt Accounts

• Special Needs Trusts (SNT)
  – First Party SNT
    • Can be created for by individual under 65 for their own benefit
    • Medi-Cal payback provision required
  – Third Party SNT
    • Money could have never belonged to beneficiary
  – Pooled SNT
    • Trust administered by nonprofit for multiple beneficiaries
  – Designed to enhance the quality of life of the beneficiary
If someone is ineligible for Medi-Cal due to resources, are there other health insurance options?
Covered California

- Covered California eligibility
  - Age between 19 and 64
  - Income >138% FPL
  - Not eligible for Medicare
    - SSDI beneficiaries not yet eligible for Medicare are eligible for Covered California

- ADAP & OA-HIPP
  - Income <500% FPL
## Medicare Savings Plans

<table>
<thead>
<tr>
<th></th>
<th>Qualified Medicare Beneficiary (QMB)</th>
<th>Specified Low-Income Medicare Beneficiary (SLMB)</th>
<th>Qualified Individual (QI)</th>
<th>Qualified Disabled and Working Individual (QDWI)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is covered?</strong></td>
<td>Medicare Part A &amp; B premiums, deductibles, and/or coinsurance</td>
<td>Medicare Part B premium</td>
<td>Medicare Part B premium</td>
<td>Medicare Part A premium</td>
</tr>
<tr>
<td><strong>Income limit</strong></td>
<td>Individuals $1,061 Couples $1,430</td>
<td>Individuals $1,269 Couples $1,711</td>
<td>Individuals $1,426 Couples $1,923</td>
<td>Individuals $4,249 Couples $5,722</td>
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<tr>
<td><strong>Resource limit</strong></td>
<td>Individuals $7,730 Couples $11,600</td>
<td>Individuals $7,730 Couples $11,600</td>
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<td>Individuals $4,000 Couples $6,000</td>
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</tbody>
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Medicare Options

• Medigap
  – Supplemental insurance that helps pay for out of pocket costs
  – ADAP & Medicare Part D Premium Payment (MDPP) to pay for Medicare Part D & Medigap premiums
  – Must enroll during Initial Enrollment Period (IEP) to have guaranteed right to purchase a plan

• Medicare Advantage
  – Private insurance plans that bundle hospital, outpatient, and prescription drug coverage
  – ADAP to pay for medical out of pocket costs
Thank you!

• Questions?
  – Call PRC’s EAHP
    • (415) 777-0333
    • www.prcsf.org