

DATE: October 26, 2023

TO: ALL COUNTY WELFARE DIRECTORS Letter No.:23-20
ALL COUNTY WELFARE ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY HEALTH EXECUTIVES
ALL COUNTY MENTAL HEALTH DIRECTORS
ALL COUNTY MEDS LIAISONS

SUBJECT: Treatment of Income-Producing Assets after January 1, 2024.

References:

Annuities: [22 CCR § 50507\(a\)\(2\)](#), [50489.5\(g\)](#), [Medi-Cal Eligibility Procedures Manual \(MEPM\), Article 9J](#).

IRAs, Retirement Plans for Self-Employed Individuals, Work-Related Pension Plans: [ACWDL 02-51](#), [ACWDL 90-01 Sections 50402 & 50458](#).

Income from Rental Property: [22 CCR § 50503\(a\)\(8\)](#), [22 CCR § 50507\(a\)\(18\)](#), [22 CCR § 50508](#).

The purpose of this All County Welfare Directors Letter (ACWDL) is to provide guidance to counties regarding the treatment of income-producing property after the January 1, 2024 elimination of assets when determining eligibility for Non-Modified Adjusted Gross Income (Non-MAGI) Medi-Cal programs.

Background

The elimination of assets when determining eligibility, as enacted by [Assembly Bill \(AB\) 133 \(Chapter 143, Statutes of 2021\)](#), for all Non-MAGI Medi-Cal programs, including Medicare Savings Programs (MSPs) and Long-Term Care (LTC), becomes effective on January 1, 2024.

The sections of this letter will discuss the treatment of the following income-producing assets after January 1, 2024:

- Annuities
- IRAs, Retirement Plans for Self-Employed Individuals, and Work-Related Pension funds
- Income from rental property

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ANNUITIES

An annuity is a contract that requires a financial institution to pay out funds based on the payout option, via a cash lump sum or fixed income stream for an individual or their spouse.

Treatment of Annuities effective January 1, 2024

Starting January 1, 2024, the undistributed balance of an annuity will no longer be counted as property for purposes of Medi-Cal eligibility. Payments distributed from the annuity will continue to count as unearned income in the eligibility determination in accordance with [22 CCR § 50507](#). Individuals will not be required to receive periodic payments from an annuity in order to qualify for Medi-Cal.

Verification of Income from an Annuity

If an individual reports the receipt of income from an annuity, the following can be used as verification:

- Annuity Contract
- Bank statement showing deposit of income from the annuity
- A sworn statement detailing the amount and how often the income from the annuity is received.

Counties shall only request information to verify the income received from the annuity and not the balance of the annuity itself.

IRAS, RETIREMENT PLANS FOR SELF-EMPLOYED INDIVIDUALS, AND WORK-RELATED PENSION FUNDS

An Individual Retirement Arrangement (IRA) is a tax-advantaged savings account for retirement that is chosen and managed by the individual. Retirement plans for self-employed individuals were formerly known as “Keogh plans.” There are several options for self-employed individuals to save for retirement on a tax-deferred basis. Work-related pension funds may be administered by an employer or union for income when employment ends. These include qualified plans under IRS Code Section 400 et seq., Deferred Compensation Plans, and Thrift Plans.

Treatment of Income from IRAs, Retirement Plans for Self-Employed Individuals, and Work-Related Pension Funds effective January 1, 2024

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Starting January 1, 2024, the cash value of IRAs, retirement plans for self-employed individuals, or work-related pension funds will no longer be counted as property in the Medi-Cal eligibility determination. Periodic payments and Required Minimum Distributions from these funds will continue to count as unearned income in accordance with [22 CCR § 50507](#).

Distributions from these funds may be on a monthly, quarterly, annual, semi-annual, or other periodic basis. The CEW must obtain from the applicant or member information regarding the frequency, dates, and the expected amounts of the distributions.

Also, individuals will not be required to receive periodic payments from IRAs, retirement plans for self-employed individuals, or work-related pension funds in order to qualify for Medi-Cal. These funds **shall not** be considered unconditionally available income, since they are designated for retirement and may be subject to age-related mandatory distribution requirements.

Verification of Income from an IRA, Retirement Plan for Self-Employed Individuals, or Work-Related Pension

If an individual reports the receipt of income from an IRA, retirement plan for self-employed individuals, or Work-Related pension, the following can be used as verification:

- Benefits letter
- Bank statement showing deposit of pension income
- A sworn statement detailing the amount and how often the income is received.

Counties shall only request information to verify the amount/frequency of distributions received from the retirement fund and not the balance of the retirement fund itself.

RENTAL PROPERTY

Starting January 1, 2024, property utilization requirements under [22 CCR § 50416](#) and [§ 50427](#) will no longer be required, as the underlying property will be exempt.

The net income produced from the rental of real property will continue to be counted in the Medi-Cal eligibility determination in accordance with [22 CCR § 50508](#). As a reminder, net income is calculated by subtracting the following allowable expenses from the gross income generated by the property, per [22 CCR § 50508\(a\)\(1\)\(A-E\)](#):

- Taxes and assessments.
- Interest on encumbrance payments. The principal portion of the payments shall not be deducted.

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- Insurance.
- Utilities.
- Upkeep and repairs. The amount of this expense shall be the greater of the following:
 - The actual amount expended for upkeep and repairs during the month.
 - Fifteen percent of the gross monthly rental plus \$4.17 per month.

Verification of Income from Rental Property

If an individual reports the receipt of income from the rental of real property, the following can be used as verification:

- Tax Documents
 - Profit and Loss statement, detailing allowable expenses
- Bank statement showing deposit income from rental property
- A sworn statement detailing the amount and how often the income from rental property is received.

Counties shall only request information in order to verify the net income received from rental property and not the underlying value of the property itself.

If you have any questions, or if we can provide further information, please contact Sara McDonald, by phone at (916) 345-8061 or by email at Sara.McDonald@dhcs.ca.gov.

Sincerely,

Theresa Hasbrouck
Chief, Policy Development Branch
Department of Health Care Services