

Medi-Cal Announces 2002 Annual Inflation Adjustments (“APPR”)

Medi-Cal has just released its annual update to the Average Private Pay Rate (“APPR”) for 2002. The new APPR is \$4,322 (up from \$4,163). The APPR is the average cost of nursing home care paid by private individuals throughout California. The APPR is significant because it represents the largest sum of money or other property that can be given away (without receiving anything in exchange) by a Medi-Cal applicant or recipient to a single person during any one calendar month without resulting in a period of ineligibility for Medi-Cal (the “transfer penalty”).

For example, a Medi-Cal applicant who lives in a nursing home has just been told by his eligibility worker that he has too much money in his checking account to qualify for Medi-Cal. The excess cash amounts to \$4,300. The eligibility worker advises the applicant to spend the excess cash on his nursing home care and to reapply when his funds run out. The applicant prefers to save the money for a rainy day instead. Under Medi-Cal rules and regulations, the applicant can simply give away his money to a friend or relative (in hopes that the friend or relative will safeguard the money for the applicant) and reapply without penalty. Medi-Cal will calculate the transfer penalty using the following formula: (amount of gift) divided by (the APPR of \$4,322) equals (number of months of ineligibility, rounded down the nearest whole number). For example, if the applicant gives away \$4,300 to his son, there will be zero months of ineligibility as a result of the gift, based on the following formula: (\$4,300) divided by (\$4,322) equals 0.98, rounded down to zero).

Suppose, instead, in the example above, that excess cash amounts to \$8,600, and the applicant has a son and a daughter. In that case, the applicant can give away \$4,300 to each of his son and daughter without penalty. Each gift made is evaluated independently under California law. The gift to the son results in zero months of ineligibility (same as above), and the gift to the daughter results in zero months of ineligibility (same as above).

Thus, the practical consequence of the new APPR is that more money can be given away without penalty in order to qualify for Medi-Cal benefits or to maintain ongoing Medi-Cal eligibility.