Many people have questions about how a lump sum (one-time-only) payment will affect their eligibility for either SSI or Medi-Cal or both. If you receive SSI, you also receive Medi-Cal automatically and the rules are the same for both programs.¹

If you are over age 65 or a person with a disability and you do not receive SSI, you can still receive Medi-Cal under one of the Medi-Cal-only programs. For some of these programs, such as the Section 1619(b), Pickle, Disabled Adult Child(ren)s and Disabled Widow(er)s Programs, the Medi-Cal rules are the same as for SSI.² Because all of these programs have the same rules as SSI, the rules for these programs will be referred to as SSI rules.

For other Medi-Cal-Only programs such as the Aged and Disabled Federal Poverty Level Program (A&D FPL) and the Medically Needy (or share of cost) program, the rules are generally somewhat more generous than the SSI rules.³

¹ SSI: 20 C.F.R § 416.2111; Medi-Cal: 42 C.F.R § 435.909(b), 22 C.C.R § 50145, 50195(d), 50201(a)(2), 50227(b)
² See, e.g., Dept. of Health Care Services, All-County Welfare Directors’ Letter (ACWDL) Nos.: 09-61 and 09-62
³ Id., 42 C.F.R § 435.601
This memo will describe how lump sum payments affect your eligibility for SSI or, if you do not receive SSI, your eligibility for Medi-Cal-only. This memo will cover only Medi-Cal rules for seniors and persons with disabilities—it will not cover rules for other groups. Remember, if you receive SSI, or Medi-Cal under some of the Medi-Cal-only programs, the rules that apply under the SSI program apply to your Medi-Cal as well. However, if you lose SSI (or never received SSI) but qualify for Medi-Cal under the Medi-Cal A&D FPL program, or the Medi-Cal Medically Needy (share of cost) program, the Medi-Cal-only rules apply.

1. What is a lump sum?

A nonrecurring lump sum payment is a one-time payment of a benefit for more than one month and which is not expected to be received again in the future.\(^4\) It does not include the amount of the monthly payment normally attributable to the month for which eligibility is being determined.\(^5\) One example is a one-time retroactive Social Security check covering several months of Social Security. For purposes of this memo, a lump sum also includes any large payment such as a large gift, inheritance, or lottery winning.

2. What is the difference between income and resources (property)?

Generally, income is money or in-kind assistance you receive during the month.\(^6\) Usually, resources (or property) are cash or other things you own that you could sell or convert to cash.\(^7\) The SSI program uses the term “resources” to describe this and the Medi-Cal-only programs use the term “property” to describe the same thing. Throughout this memo, resources or property will be referred to only as “resources.” Income does not become a resource until the month after you receive it.\(^8\)

\(^4\) 22 C.C.R § 50064.5  
\(^5\) Id.  
\(^6\) SSI: 20 C.F.R §§ 416.1102, 416.420, 416.1207(d); 22 C.C.R § 50501, 50451  
\(^7\) SSI: 20 C.F.R §§ 416.1201; Medi-Cal: 22 C.C.R § 50073, 50074  
\(^8\) SSI: 20 C.F.R § 416.1207(c); Medi-Cal: Welf. & Inst. Code § 14006(c), 42 C.F.R § 435.601
Countable income and resources are used to determine your eligibility for SSI and Medi-Cal. Exempt income and resources are not used in determining your eligibility for SSI and Medi-Cal.

3. I am going to receive a large lump sum payment. How will that affect my SSI and Medi-Cal?

First, it depends on what kind of payment you are going to receive. The following are four types of payments you might receive.

Social Security and SSI

Generally, if you are going to receive a retroactive Social Security or SSI payment, it will be an exempt resource in the month you receive it and it will remain an exempt resource for the next 9 months after that. If you still have the money after the 9 months, it will become a countable resource. However, if you receive Medi-Cal under the A&D FPL program or the Medically Needy (share of cost) program, there is no time limit for the exemption of retroactive SSI payments.

Medical or social services (such as IHSS)

If you are going to receive a retroactive social services payment, such as a retroactive IHSS payment, it will be exempt income in the month you receive it and an exempt resource for the next month after that. If you still have the money after that, it will become a countable resource. Note that an IHSS payment to an ineligible spouse or parent provider is exempt as income under the Medi-Cal program.

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9 SSI: 20 C.F.R § 416.1233; Medi-Cal: ACWDL Nos.: 09-61, 09-62
10 Id.
11 ACWDL No.: 09-61
12 20 C.F.R § 416.1201(a)(3); ACWDL No.: 89-85
13 Id.
14 ACWDL Nos.: 06-04, 11-19
Nonrecurring lump-sum social insurance payments

Nonrecurring lump-sum social insurance payments such as railroad retirement benefits, veterans' benefits, worker's compensation, and disability insurance benefits are treated differently under the SSI and Medi-Cal-only programs. Under SSI, these benefits are income in the month you receive them and a countable resource in the following month.\(^\text{15}\) Under Medi-Cal-only, these payments are countable resources in the month you receive them.\(^\text{16}\) They will not affect Medi-Cal-only eligibility if your total countable resources do not exceed $2,000 at any time during the month you receive the payment.\(^\text{17}\)

Replacement of income or a resource

Some items you receive have already been counted as income once in one form or another. In order to avoid double counting, these items are not counted as income. For example, tax refunds are not income\(^\text{18}\) or are excluded from income.\(^\text{19}\) Life and disability insurance payments to you are not income.\(^\text{20}\) Money you borrow or money you receive as repayment for a loan is not income but is a resource.\(^\text{21}\) In addition, some items you receive are not income but a resource. For example, proceeds from the sale, exchange or replacement of a resource are not income but are a resource.\(^\text{22}\)

If you receive cash for the purpose of repairing or replacing an excluded resource, such as your home, you have 9 months from the date you receive the cash to replace it.\(^\text{23}\) This can be extended for an additional 9 months (and for up to an additional 12 months after that)

\(^{12}\) 20 C.F.R § 416.1121, 416.1207(d)
\(^{16}\) 20 C.F.R §§ 50455, 50507
\(^{17}\) Id.
\(^{15}\) 20 C.F.R § 416.1103(d), 22 C.C.R § 50523.5
\(^{19}\) 20 C.F.R § 416.1124(c), 22 C.C.R §§ 50523 and 50523.5
\(^{20}\) 20 C.F.R § 416.1103(e), 22 C.C.R § 50475
\(^{21}\) 20 C.F.R § 416.1103(f), 22 C.C.R §§ 50483, 50533, 50441(d)
\(^{22}\) 20 C.F.R § 416.1232
if you show good cause.\textsuperscript{24} Otherwise, the cash becomes a countable resource.\textsuperscript{25}

**Exempt income and resources**

Some items are not counted as income or a resource at all. Disaster relief is an example.\textsuperscript{26} Certain Indian judgment funds are another example.\textsuperscript{27} Certain tax credits are another example.\textsuperscript{28}

**All other lump sum payments**

If you are going to receive any other kind of a lump sum payment (for example, an inheritance, a gift, a life insurance payment, or a bonus from work) it will be countable income in the month you receive it and a countable resource in the following month.\textsuperscript{29}

**4. When do I have to tell Social Security or the county welfare department about the lump sum payment?**

The rules are different if you receive SSI or if you receive Medi-Cal-only.

**SSI rule**

If you receive SSI, you have to tell Social Security about the payment as soon as you receive it but no later than the 10\textsuperscript{th} day of the month after the month you receive it.\textsuperscript{30} For example, if you receive the payment in December, you would have to tell Social Security about it by January 10\textsuperscript{th}.

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\textsuperscript{24} \textit{Id.}
\textsuperscript{25} \textit{Id.}
\textsuperscript{26} 20 C.F.R § 416.1124(c)(5)
\textsuperscript{27} 20 C.F.R § 416.1124(b)
\textsuperscript{28} 22 C.C.R § 50454.5
\textsuperscript{29} 20 C.F.R § 416.1104, 416.1120, 416.1207(c), 22 C.C.R § 50455
\textsuperscript{30} 20 C.F.R § 416.714(a)
**Medi-Cal rule**

If you receive Medi-Cal only, you have to tell the county welfare department about the income within 10 days after you receive it.\(^{31}\) For example, if you receive the payment on December 5, you must tell the county welfare department about it by December 15.

*Note:* We recommend that you report your income in writing and keep a copy of your report. If your income in a month would put you over the resource limit if you keep it into the following month, your report should explain how you spent the money. Otherwise Social Security (or in the case of Medi-Cal-only, the county welfare department) may think you still have the money. Keep your receipts because Social Security (or the county welfare department) may ask for these as proof that you spent the money. Social Security usually does ask for receipts.

5. **Why do I have to tell Social Security or the county welfare department about the lump sum?**

Social Security or the county welfare department has to determine your eligibility for benefits. If you receive a lump sum and keep it into the following month, it may put you over the countable resource limit for that month. In addition, if you receive a lump sum and give it away for less than fair market value, you could become ineligible for SSI for up to 3 years.\(^{32}\) (Discussion of this issue is beyond the scope of this memo.) Therefore, Social Security, or the county welfare department, is going to want to know how you spent the money.

6. **What happens when the money is counted as a resource?**

If you have more than $2,000 in total countable resources ($3,000 for a married couple) you will be ineligible for SSI or Medi-Cal.\(^{33}\) For each

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\(^{31}\) 22 C.C.R § 50185(a)(4)  
\(^{32}\) 42 U.S.C § 1382b(c)(1)(A)(i), P.O.M.S SI 01150.000  
\(^{33}\) 20 C.F.R § 416.202(d), 22 C.C.R § 50420(b)
additional family member, Medi-Cal-only programs have a higher resource limit.\textsuperscript{34}

7. When does the countable resource limit apply?

The rules are different for SSI and for Medi-Cal-only.

SSI rule—\textit{the first moment of the month}

If you receive SSI, you must have less than $2,000 in countable resources ($3,000 for a married couple) on the first moment of the first of the month.\textsuperscript{35} (Midnight on the first of the month.) Otherwise, you are ineligible for an SSI payment for that month. This means that if you receive a payment that will become a countable resource in the following month, you must spend down to the $2,000 ($3,000) countable resource level before the \textit{beginning} of the following month in order to remain eligible for SSI.

\textit{Note}: The amount of money in your bank account on the first is the amount shown minus any outstanding checks (checks that have not yet been paid out of your account.)\textsuperscript{36}

Medi-Cal rule—\textit{at some time during the month}

If you receive Medi-Cal-only, you must have less than $2,000 in countable resources ($3,000 for a married couple) at some time during the month.\textsuperscript{37} Otherwise, you are ineligible for Medi-Cal as of the first day of the following month.\textsuperscript{38} This means that if you receive countable income that will become a countable resource in the following month, you must spend down to the $2,000 ($3,000) countable resource level before the \textit{end} of the following month in order to remain eligible for Medi-Cal. However, you can reestablish

\textsuperscript{34} 22 C.C.R § 50420(a)
\textsuperscript{35} 20 C.F.R § 416.1207(d)
\textsuperscript{36} P.O.M.S SI 01140.200.C.4.c
\textsuperscript{37} 22 C.C.R §§50420, 50195(c)(2)
\textsuperscript{38} 22 C.C.R § 50195(f)
Medi-Cal eligibility retroactive to the first of that month if you spend down your resources before the end of that month.

8. What happens when the money is counted as income?

Again, the rules are somewhat different for SSI and Medi-Cal.

SSI rule—ineligibility for that month or reduction in the SSI payment two months later

If you receive SSI, it depends on how much the countable income is. If the countable income is more than the SSI benefit payment rate, you will be ineligible for SSI in the month you receive it.³⁹ If the countable income is less than the SSI benefit payment rate, the countable income will be deducted dollar for dollar from the SSI payment that you get two months later.⁴⁰ (This is known as retrospective monthly accounting.) The countable income is also deducted from your SSI payment for the month you become eligible for an SSI payment, and for the first and second month after that.⁴¹ This includes becoming eligible for SSI again after a gap in eligibility of one more months.⁴²

Practice Tip: If you know that the income you received in a month will be countable income, your SSI payment is supposed to be reduced as described above. We recommend that you avoid this reduction by including with your report of your income a money order or cashier’s check for the amount of the overpayment. That way your SSI checks will continue without any reduction.

³⁹ 20 C.F.R § 416.202(c)
⁴⁰ 20 C.F.R § 416.420
⁴¹ 20 C.F.R § 420(b)
⁴² Id.
Medi-Cal-only rule—income in the month you receive it

If you receive Medi-Cal-only, your income is counted as income in the month you receive it. If you timely report your income to the county welfare department, there is no overpayment. (There may be an adjustment in your Medi-Cal share of cost, if you have one.) If you spend the money down so that you do not exceed the countable resource limit in the month following the month of receipt, you will not lose Medi-Cal eligibility for any month.

If you have a share of cost for Medi-Cal, the county welfare department will adjust your share of cost based on the income. The change must be for a full month. You must be given at least 10 days written notice before the change can take effect. This means that if you report income on December 15, the change can take effect as early as the first of the following month (January 1). If you report your income after December 19, the change cannot take effect until the month after the following month (February 1) or later.

9. What if I get a really big amount of money – like an inheritance or settlement of $25,000?

One option may be to spend money on something that will be an exempt resource. Examples of exempt resources are: a home, a car, household goods and personal effects, property essential for self-support, term life insurance, a burial plot and burial insurance, money set aside in a Plan to Achieve Self Support (PASS), and other such.

Another option may be to put some or all of the money in what is called an OBRA Trust – such as in a pooled trust like The PLAN of California Master Pooled Trust – so you can use the money to improve the quality of your life.

43 22 C.C.R § 50513(b)
44 22 C.C.R § 50653.5(a)(2)
45 22 C.C.R § 50195(c)(2)
46 22 C.C.R § 50653(a)
47 22 C.C.R § 50653.5(a)(2)
48 20 C.F.R § 416.1210
without losing your benefits. To find out more about this and other options, we suggest you contact California Advocates for Nursing Home Reform – www.canhr.org – for advice and referral to an attorney specializing in these areas.

Disability Rights California is funded by a variety of sources, for a complete list of funders, go to http://www.disabilityrightsca.org/Documents/ListofGrantsAndContracts.html.


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