



State of New Jersey

DEPARTMENT OF HUMAN SERVICES  
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES  
PO Box 712  
TRENTON, NEW JERSEY 08625-0712

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Acting Governor

JAMES W. SMITH, JR.  
Acting Commissioner

DEBORAH C. BRADLEY  
Acting Director  
1-800-356-1561

**MEDICAID COMMUNICATION NO. 01-10**

**DATE: June 8, 2001**

**TO:** County Welfare Agency Directors  
Institutional Service Section Area Supervisors  
Statewide Eligibility Determination Agency  
NJ FamilyCare Liaisons

**SUBJECT:** Treatment of Certain State Temporary Disability Insurance  
Payments and Temporary Workers Compensation Payments as  
Earned Income

**Re:** N.J.A.C. 10:69

This is to clarify existing policy regarding the treatment of certain Temporary Disability Insurance (TDI) payments and Temporary Worker's Compensation (TWC) payments in determining eligibility for the AFDC Medicaid program.

It has been longstanding federal policy to treat sick pay as earned income because it is provided by an employer to an employee during a temporary period of illness and is considered a continuation of income. Under federal regulations, the test for earned income is such that income of a recipient must be in the "nature of wages" which are linked to ongoing status as an employee. As a result, the federal government has determined that TDI and TWC are analogous to sick pay and that they, therefore, meet the regulatory definition of earned income.

Consequently, TDI and TWC payments are to be considered earned income when such payments are: 1) employer-funded, 2) made to an individual who remains employed during recuperation from temporary illness or injury pending his/her return to the job, and 3) are specifically characterized under State law as temporary wage replacements.

Those temporary payments which meet the above criteria are to be counted as earned income in the determination of eligibility for AFDC Medicaid, N.J.A.C. 10:69. As such, the appropriate earned income disregards apply in these cases. In addition, TDI and TWC benefits received as lump sum payments are to be treated as earned income in accordance with the applicable AFDC Medicaid regulations.

If you have cases in which the receipt of TDI or TWC has been counted as unearned income, please apply the appropriate earned income disregards at the time of redetermination or when the case next comes to the attention of your agency, whichever occurs first.

Please direct any questions concerning this communication to the Bureau of Eligibility Policy field staff assigned to your agency at (609) 588-2556.

Sincerely,

A handwritten signature in black ink, appearing to read "Deborah C. Bradley". The signature is fluid and cursive, with the first name "Deborah" and last name "Bradley" clearly distinguishable.

Deborah C. Bradley  
Acting Director

DCB:G

c: Christine Grant, Commissioner  
William Conroy, Deputy Commissioner  
Department of Health and Senior Services

David C. Heins, Director  
Division of Family Development

Charles Venti, Director  
Division of Youth and Family Services