

May 22, 2026

**GENERAL LETTER NO. 8-C-107**

ISSUED BY: Bureau of Medicaid Eligibility Policy  
Division of Community Access and Eligibility

SUBJECT: Employees' Manual, Title 8, Chapter C, **Medicaid Nonfinancial Eligibility**, 77, 79-81, 83, revised.

**Summary**

This chapter is revised to increase the income level that represents substantial gainful activity from \$1,620 to \$1,690 per month, effective January 1, 2026.

**Effective Date**

January 1, 2026.

**Material Superseded**

Remove the following pages from Employees' Manual, Title 8, Chapter C, and destroy them:

<b>Page</b>	<b>Date</b>
77, 79-81, 83	October 10, 2025

**Additional Information**

Refer questions about this general letter to your area eligibility determinations manager.

Mr. J, age 50, applies for Medicaid on the basis that he is disabled. Mr. J's countable resources are over \$2,000, he is single, he has no dependent children, and he is not employed. The worker determines that Mr. J may be eligible only for the Medically Needy coverage group based upon disability.

Mr. J provides proof that he has applied for SSDI and that disability was denied by the SSA four months earlier. The worker initiates a disability determination because the Department cannot rely on an SSA denial of disability for Medically Needy applicants.

The following sections give further instructions on:

- [Determining substantial gainful activity for an employee](#)
- [Determining substantial gainful activity for a self-employed person](#)
- [Submitting medical evidence to DDS](#)

### **Substantial Gainful Activity for an Employee**

Legal reference: 20 CFR 416.974, Program Operations Manual System POMS 10505.020, 441 IAC 75 (Rules in Process)

The first test of disability determination is evaluation of “substantial gainful activity” (SGA). SGA means the performance of “significant” physical or mental activities in work for substantial pay or profit.

- “Significant physical or mental activities” are useful in a job or business and have economic value. Self-care, household tasks, unpaid training, therapy, school attendance, clubs, and social programs **are not** considered SGA.
- Work may pay either in cash or in kind.
- The current earnings threshold for determining “substantial” activity is \$1,690.

A person who is engaged in SGA despite physical or mental limitations is not disabled (unless the person would qualify under MEPD).

**Comment:** There is no SGA if the person's former job made many job accommodations or the person became more incapacitated and cannot find another similar job. Loss of work detrimental to health does not result in SGA.

There may be SGA if the person worked for longer than six months despite the impairment, lost the job, and applied for Medicaid in the same month. If there is reasonable doubt, do not consider the person engaged in SGA.

Step	Action
<p>Compare remainder to \$1,690 per month.</p>	<p>When the countable earnings exceed \$1,690 per month, the applicant does not meet the first requirement of being disabled under SSA standards. Deny Medicaid as not disabled. See <a href="#">When the Department Denies Disability</a>.</p> <p>When the countable earnings are less than \$1,690 per month, complete a disability determination, as the client is not engaged in SGA.</p> <p>When countable earnings are less than \$1,690 per month and there is evidence that an individual may be engaging in SGA, or appears to be in a position to defer compensation, or by special arrangement, is able to suppress earnings, proceed to the next tests.</p>
<p>Do the Comparability Test.</p>	<p>Compare the client's work to that of unimpaired people in the area. Look at time, energy, skills, and responsibility. If the work is the same as that done by unimpaired people, the client has SGA and is not disabled.</p>
<p>Do the Worth Test.</p>	<p>Determine if the client's work activity is worth more than \$1,690 per month. If so, the client is engaging in SGA, even if the client's work activity is not comparable to that of an unimpaired person.</p> <p>The value of work in the military must be compared to similar work in a nonmilitary setting. Military wages may continue and the client may be placed on limited duty.</p> <p>Ask your area income maintenance administrator or the HHS SPIRS Help Desk to contact Medicaid Policy to determine the actual value of the work.</p>

Mrs. P applies for Medicaid based on disability. She states that her disability is fibromyalgia. The worker evaluates Mrs. P's employment status for SGA.

Mrs. P continues to work at the same job with the same duties (meeting the Comparability Test), but her medical condition has caused her to reduce her work schedule from 40 hours per week to 20 hours per week, which has cut her earnings in half (the Worth Test). Her hourly wage is \$21 per hour. Her average monthly pay is \$1,806.

The worker determines that Mrs. P does not meet the SGA test for disability for most Medicaid coverage groups because she continues to do the same work and her earnings were over \$1,690.

However, because Mrs. P is still employed, she appears to be eligible for MEPD. The worker makes a referral to DDS for a disability determination; noting on the **Disability Transmittal** to skip the step of determining SGA.

**Substantial Gainful Activity for a Self-Employed Person**

Legal reference: 20 CFR 416.975, 441 IAC 75 (Rules in Process)

**Policy:** There are three tests for “substantial gainful activity” (SGA) for a self-employed person. If the person does not meet the criteria in **all three** tests, the person is **not** engaged in SGA, and a HHS disability determination must be done.

Name of Test:	What this means:
1. Significant services <b>and</b> substantial income  a. Significant services	This test is met if significant services are <b>combined with</b> substantial income.  When a person (with the exception of a farm landlord who rents farmland to another farmer) gives significant services by participating in the following: <ul style="list-style-type: none"> <li>▪ Gets a social security earnings credit on the federal income tax return.</li> <li>▪ Advises or consults with the renter and inspects production periodically.</li> <li>▪ Furnishes a large portion of the machinery and financing.</li> </ul>

Name of Test:	What this means:
b. Substantial income	When a person has: <ul style="list-style-type: none"> <li>▪ Countable income over \$1,690 per month.</li> <li>▪ Countable income that meets the community standard of livelihood for a self-employed person with a similar business.</li> </ul>
2. Comparability of work	If work activities are comparable to that of an unimpaired person in the community engaged in the same or similar business, the person is engaged in SGA.
3. Work activity	If the value of the work is more than \$1,690 per month based on the amount an employer would pay any employee to do the same job, the person engages in SGA.

**Procedure:** To determine SGA for a self-employed person, consider the three tests in order, as explained in the following chart. **EXCEPTION:** Do not determine SGA for the Medicaid for Employed People with Disabilities (MEPD) group.

If the earnings are comparable to unimpaired people in the community in the same business, there is substantial income and the person engages in SGA.

If there is “material participation” and “substantial income,” this means there is SGA, unless material participation has been reduced or has stopped. Determine if the significant services are the same at the time of application as before the person’s impairment.

If the self-employment was less than six months and has stopped, or the income level indicating substantial gainful activity continued for less than six months, there is no SGA.

If there is reasonable doubt whether the person meets SGA, assume the person does not meet SGA criteria.

### Test 3: Work Activity

Evaluate by determining countable income:

- A person who earns more than \$1,690 per month meets the criteria for engaging in SGA, which results in not being considered disabled.
- See the procedures for [Substantial Gainful Activity for an Employee](#).

### Comment:

Mr. Q applies for Medically Needy on the basis of disability. His wife is employed and her earnings put their joint income higher than the MEPSD income limit of 250% of the federal poverty level.

Mr. Q explains that he is not able to work full time because of his heart condition, but he has a self-employment business building bookcases, which averages \$600 per month net income after business expenses are deducted. He pays his adult son \$50 per month to deliver the lumber to his home workshop and to deliver the finished bookcases.

The worker evaluates Mr. Q's self-employment for SGA by applying the three tests in order:

Test 1. Significant services **and** substantial income:

- Mr. Q is not able to do all the work for his business himself.
- Mr. Q earns less than \$1,690 per month.
- Mr. Q's income has dropped significantly from his previous full-time earnings.
- There is no one else in the local community who builds custom bookcases, so the worker cannot compare Mr. Q's income to the same type of work done by others.

Test 2. Comparability of work:

- Mr. Q formerly worked at least 40 hours per week and often more due to overtime assignments.
- Mr. Q currently has to take frequent rest breaks as he tires easily due to the heart condition. He works an average of ten hours per week.

Test 3. Work activity: Mr. Q earns less than \$1,690 per month.

The worker determines that Mr. Q does not engage in SGA, so he is referred for a Department disability determination.