



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS  
MICHIGAN ADMINISTRATIVE HEARING SYSTEM  
Christopher Seppanen  
Executive Director

SHELLY EDGERTON  
DIRECTOR

[REDACTED]

Date Mailed: September 27, 2016  
MAHS Docket No.: 16-011901  
Agency No.: [REDACTED]  
Petitioner: [REDACTED]

**ADMINISTRATIVE LAW JUDGE: Kevin Scully**

**HEARING DECISION**

Following Petitioner's request for a hearing, this matter is before the undersigned Administrative Law Judge pursuant to MCL 400.9 and 400.37; 7 CFR 273.15 to 273.18; 42 CFR 431.200 to 431.250; 45 CFR 99.1 to 99.33; and 45 CFR 205.10. After due notice, telephone hearing was held on September 20, 2016, from Lansing, Michigan. The Petitioner represented himself. The Department was represented by [REDACTED] (Eligibility Specialist).

**ISSUE**

Did the Department of Health and Human Services (Department) properly close Petitioner's Medical Assistance (MA) benefits?

**FINDINGS OF FACT**

The Administrative Law Judge, based on the competent, material, and substantial evidence on the whole record, finds as material fact:

1. Petitioner was an ongoing Medical Assistance (MA) recipient.
2. On July 6, 2016, the Department received Petitioner's completed Redetermination (DHS-1010) form.
3. Petitioner reported to the Department that he had received a business gain of \$ [REDACTED] for the 2015 tax year on his Schedule C tax form.
4. The Department's representative testified that Petitioner reported an adjusted gross income of \$ [REDACTED] for the 2015 tax year on his federal tax return Form 1040.

5. On July 18, 2016, the Department notified Petitioner that he was no longer eligible for Medical Assistance (MA) as of August 1, 2016, based on his income.
6. On August 15, 2016, the Department received Petitioner's request for a hearing protesting the closure of his Medical Assistance (MA) benefits.

### **CONCLUSIONS OF LAW**

Department policies are contained in the Department of Health and Human Services Bridges Administrative Manual (BAM), Department of Health and Human Services Bridges Eligibility Manual (BEM), Department of Health and Human Services Reference Tables Manual (RFT), and Department of Health and Human Services Emergency Relief Manual (ERM).

The Medical Assistance (MA) program is established by Title XIX of the Social Security Act, 42 USC 1396-1396w-5; 42 USC 1315; the Affordable Care Act of 2010, the collective term for the Patient Protection and Affordable Care Act, Pub. L. No. 111-148, as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152; and 42 CFR 430.10-.25. The Department (formerly known as the Department of Human Services) administers the MA program pursuant to 42 CFR 435, MCL 400.10, and MCL 400.105-.112k.

The income limit to participate in the Healthy Michigan Plan (HMP) is 133% of the federal poverty level. Department of Health and Human Services Reference Table Manual (RFT) 246 (April 1, 2014), p 1.

Modified adjusted gross income (MAGI) is a methodology for how income is counted and how household composition and family size are determined. It is based on federal tax rules for determining adjusted gross income. It eliminates asset tests and special deductions or disregards. Every individual is evaluated for eligibility based on MAGI rules. The MAGI rules are aligned with the income rules that will be applied for determination of eligibility for premium tax credits and cost-sharing reductions through exchanges. The 5% disregard is the amount equal to 5% of the Federal Poverty Level for the applicable family size. It is not a flat 5% disregard from the income. The 5% disregard shall be applied to the highest income threshold. The 5% disregard shall be applied only if required to make someone eligible for Medicaid.<sup>1</sup>

Household income is the sum of the MAGI-based income of every individual included in the individual's household, minus an amount equivalent to 5 percentage points of the Federal poverty level for the applicable family size. 42 CFR 435.603.

MAGI for purposes of Medicaid eligibility is a methodology, which state agencies and the federally facilitated marketplace (FFM) must use to determine financial eligibility. It is based on Internal Revenue Service (IRS) rules and relies on federal tax information to

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<sup>1</sup> Department of Health and Human Services Modified Adjusted Gross Income (MAGI) Related Eligibility Manual, pp 14-15. This manual is available on the internet at [http://www.michigan.gov/documents/mdch/MAGI\\_Manual\\_457706\\_7.pdf](http://www.michigan.gov/documents/mdch/MAGI_Manual_457706_7.pdf)

determine **adjusted gross income**. It eliminates asset tests and special deductions or disregards. Department of Health and Human Services Bridges Eligibility Manual (BEM) 500 (January 1, 2016), pp 3-4.

Allowable expenses (except MAGI related MA) are the higher of 25 percent of the total proceeds, or actual expenses if the client chooses to claim and verify the expenses. Department of Health and Human Services Bridges Eligibility Manual (BEM) 502 (July 1, 2016), p 3.

Petitioner was an ongoing MA recipient under the HMP category when the Department initiated a redetermination of his eligibility to receive ongoing benefits based on the information reported on his Redetermination (DHS-1010) form as well as the verification documents submitted to the Department. Petitioner reported to the Department that he had received a business gain of \$ [REDACTED] for the 2015 tax year on his Schedule C tax form. Based on this reported income, the Department closed Petitioner's MA benefits.

Petitioner reported to the Department that his sole source of income is his self-employment income. The Schedule C is the only acceptable **verification** for MAGI self-employment income.<sup>2</sup>

However, Petitioner's MA benefits were not closed based on **verification** of his self-employment income. While BEM 502 instructs the Department to verify MAGI self-employment income from the Schedule C, it does not instruct the Department to determine eligibility for HMP benefits based on the Schedule C.

The Department is instructed to determine eligibility for HMP benefits based on a person's **adjusted gross income**. A tax filer's "Net profit or (loss)" is a component of the tax filer's adjusted gross income, but does not account for other deductions allowed by IRS rules and acknowledged by BEM 500.

However, Petitioner bears the burden of establishing his eligibility to receive MA benefits. This Administrative Law Judge finds that Petitioner has failed to establish his eligibility for continuing benefits. Although the Department's representative testified that Petitioner's adjusted gross income listed on Line 37 of Form 1040 on his 2015 tax return was not used to determine his eligibility for benefits, this Administrative Law Judge finds that an adjusted gross income of \$ [REDACTED] exceeds 133% of the federal poverty level for a group of one and makes Petitioner ineligible for HMP benefits under the authority of BEM 500. Petitioner did not dispute the Department's testimony concerning his adjusted gross income as listed on his 2015 tax return or provide evidence of another figure.

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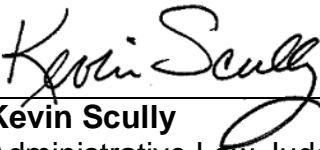
<sup>2</sup> MAGI Self-Employment, Office of Workforce Development & Training, Course BRI055, Session 15653, p. 9.

The Administrative Law Judge, based on the above Findings of Fact and Conclusions of Law, and for the reasons stated on the record, if any, finds that the Department acted in accordance with Department policy when it closed Petitioner's Medical Assistance (MA) benefits based on his income.

**DECISION AND ORDER**

Accordingly, the Department's decision is **AFFIRMED**.

KS/las

  
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**Kevin Scully**  
Administrative Law Judge  
for Nick Lyon, Director  
Department of Health and Human Services

**NOTICE OF APPEAL**: A party may appeal this Order in circuit court within 30 days of the receipt date. A copy of the circuit court appeal must be filed with the Michigan Administrative Hearing System (MAHS).

A party may request a rehearing or reconsideration of this Order if the request is received by MAHS within 30 days of the date the Order was issued. The party requesting a rehearing or reconsideration must provide the specific reasons for the request. MAHS will not review any response to a request for rehearing/reconsideration.

A written request may be mailed or faxed to MAHS. If submitted by fax, the written request must be faxed to (517) 335-6088; Attention: MAHS Rehearing/Reconsideration Request.

If submitted by mail, the written request must be addressed as follows:

Michigan Administrative Hearings  
Reconsideration/Rehearing Request  
P.O. Box 30639  
Lansing, Michigan 48909-8139

**DHHS**

[REDACTED]

[REDACTED]

**Petitioner**

[REDACTED]