

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: December 6, 2016
MAHS Docket No.: 16-013720
Agency No.: [REDACTED]
Petitioner: [REDACTED]
Respondent: [REDACTED]

ADMINISTRATIVE LAW JUDGE: Eric J. Feldman

HEARING DECISION FOR INTENTIONAL PROGRAM VIOLATION

Upon the request for a hearing by the Department of Health and Human Services (Department), this matter is before the undersigned Administrative Law Judge pursuant to MCL 400.9, and in accordance with Titles 7, 42 and 45 of the Code of Federal Regulation (CFR), particularly 7 CFR 273.16 and 45 CFR 235.110; and with Mich Admin Code, R 400.3130 and 400.3178. After due notice, a telephone hearing was held on November 14, 2016, from Detroit, Michigan. The Department was represented by [REDACTED], Regulation Agent of the Office of Inspector General (OIG). Also, Regulation Agent [REDACTED] observed the hearing, but did not provide any testimony.

Respondent did not appear at the hearing; and it was held in Respondent's absence pursuant to 7 CFR 273.16(e), Mich Admin Code R 400.3130(5), or Mich Admin Code R 400.3178(5).

ISSUES

1. Did Respondent receive an overissuance (OI) of Food Assistance Program (FAP) and Medical Assistance (MA) benefits that the Department is entitled to recoup?
2. Did the Department establish, by clear and convincing evidence, that Respondent committed an Intentional Program Violation (IPV)?
3. Should Respondent be disqualified from receiving benefits for FAP?

FINDINGS OF FACT

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

1. The Department's OIG filed a hearing request on July 20, 2016, to establish an OI of benefits received by Respondent as a result of Respondent having allegedly committed an IPV.
2. The OIG has requested that Respondent be disqualified from receiving program benefits.
3. Respondent was a recipient of FAP and MA benefits issued by the Department.
4. Respondent was aware of the responsibility to report changes in residence.
5. Respondent did not have an apparent physical or mental impairment that would limit the understanding or ability to fulfill this requirement.
6. The Department's OIG indicates that the time period it is considering the FAP fraud period is April 1, 2014 to June 30, 2014 (FAP fraud period).
7. The Department's OIG indicates that the time period it is considering the MA OI period is April 1, 2014 to July 31, 2014 (MA OI period).
8. During the fraud period, Respondent was issued [REDACTED] in FAP and MA benefits by the State of Michigan, and the Department alleges that Respondent was entitled to \$0.00 in such benefits during this time period.
9. The Department alleges that Respondent received an OI in FAP and MA benefits in the amount of [REDACTED].
10. This was Respondent's first alleged IPV.
11. A notice of hearing was mailed to Respondent at the last known address and was not returned by the US Post Office as undeliverable.

CONCLUSIONS OF LAW

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

The Food Assistance Program (FAP) [formerly known as the Food Stamp program] is established by the Food and Nutrition Act of 2008, as amended, 7 USC 2011 to 2036a and is implemented by the federal regulations contained in 7 CFR 273. The Department (formerly known as the Department of Human Services) administers FAP pursuant to MCL 400.10; the Social Welfare Act, MCL 400.1-119b; and Mich Admin Code, R 400.3001 to .3015.

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.

Effective January 1, 2016, the Department's OIG requests IPV hearings for the following cases:

- Willful overpayments of \$500.00 or more under the AHH program.
- FAP trafficking overissuances that are not forwarded to the prosecutor.
- Prosecution of welfare fraud or FAP trafficking is declined by the prosecutor for a reason other than lack of evidence, and
 - The total amount for the FIP, SDA, CDC, MA and FAP programs combined is \$500 or more, or
 - the total amount is less than \$500, and
 - the group has a previous IPV, or
 - the alleged IPV involves FAP trafficking, or
 - the alleged fraud involves concurrent receipt of assistance (see BEM 222), or
 - the alleged fraud is committed by a state/government employee.

BAM 720 (January 2016), pp. 12-13; ASM 165 (May 2013), pp. 1-2.

As a preliminary matter, it was discovered that the OIG agent was in contact with Respondent regarding her inability to participate in the hearing due to her residing out-of-state. However, the undersigned Administrative Law Judge (ALJ) never received any correspondence from Respondent requesting participation in the hearing by telephone. As such, the hearing proceeded in Respondent's absence. See BAM 600 (October 2016), p. 34.

Intentional Program Violation

Suspected IPV means an OI exists for which all three of the following conditions exist:

- The client intentionally failed to report information **or** intentionally gave incomplete or inaccurate information needed to make a correct benefit determination, and
- The client was clearly and correctly instructed regarding his or her reporting responsibilities, and
- The client has no apparent physical or mental impairment that limits his or her understanding or ability to fulfill reporting responsibilities.

BAM 700 (January 2016), p. 7; BAM 720, p. 1.

An IPV is also suspected for a client who is alleged to have trafficked FAP benefits. BAM 720, p. 1.

An IPV requires that the Department establish by clear and convincing evidence that the client has intentionally withheld or misrepresented information for the **purpose** of establishing, maintaining, increasing or preventing reduction of program benefits or eligibility. BAM 720, p. 1 (emphasis in original); see also 7 CFR 273(e)(6). Clear and convincing evidence is evidence sufficient to result in a clear and firm belief that the proposition is true. See M Civ JI 8.01.

In this case, the Department alleges that Respondent committed an IPV of her FAP benefits because she failed to notify the Department that she no longer resided in Michigan but continued to receive and use Michigan-issued FAP benefits while out-of-state.

To be eligible, a person must be a Michigan resident. BEM 220 (February 2014), p. 1. For FAP cases, a person is considered a resident while living in Michigan for any purpose other than a vacation, even if there is no intent to remain in the state permanently or indefinitely. BEM 220, p. 1. Eligible persons may include persons who entered the state with a job commitment or to seek employment; and students (for FAP only, this includes students living at home during a school break). BEM 220, pp. 1-2. For FAP cases, a person who is temporarily absent from the group is considered living with the group. BEM 212 (February 2014), p. 3. However, a person's absence is not temporary if it has lasted more than thirty days. BEM 212, p. 3.

First, the Department presented Respondent's online application dated July 16, 2013, and her Semi-Annual Contact Report dated November 27, 2013, to show that she acknowledged her responsibility to report changes as required. Exhibit A, pp. 11-50.

Second, the Department presented Respondent's FAP transaction history. Exhibit A, pp. 51-58. The FAP transaction history showed that from February 25, 2014 to June 25, 2014, Respondent used FAP benefits issued by the State of Michigan out-of-state in Texas. Exhibit A, pp. 54-56.

Third, the Department presented Respondent's employment verification, which indicated that she worked during the alleged fraud period. Exhibit A, pp. 66-70. A review of the document showed that Respondent had a [REDACTED] address. See Exhibit A, p. 66.

Fourth, the Department received correspondence from Respondent, which included a request for an Administrative Disqualification Hearing received on July 1, 2015. On July 1, 2015, Respondent also included a letter in which she indicated the following: (i) she wished for a hearing, but lives in [REDACTED] and has no way to get to Michigan for a hearing; (ii) from June 2013 to February 2014, she lived in Michigan; and she also worked at [REDACTED] as a [REDACTED], and provided proof of her transfer invoice as well as pay stubs, showing that she transferred to [REDACTED] store in [REDACTED] (Exhibit A, pp. 81-85); (iii) she never used her Medicaid out of Michigan and only used it the time she was living in Michigan; (iv) she did move to [REDACTED] around February 20, 2014, she failed to change her address at the time, and she is responsible from February 2014 to June 30, 2014 for her FAP benefits; and (v) anything before February 2014, she resided in Michigan. See Exhibit A, pp. 79-80.

Fifth, the Department also testified that it received another letter from Respondent on or about August 29, 2016, but did not include the letter as part of the evidence packet. Nevertheless, the Department testified that Respondent's subsequent letter read as follows: (i) she would like a hearing, but lives out-of-state and does not have the funds to make it to Michigan as stated in her original letter; (ii) the only changes since her last letter has been her address and phone number; (iii) she sent in work transfer statements as well as pay stubs; (iv) she again stated that she failed to change her address when she moved to [REDACTED] on February 20, 2014; (v) she is responsible for her FAP benefits from February 2014 to June 30, 2014, but anything before February 2014, she resided in Michigan; and (vi) she asks to repay for the period of February 2014 to June 30, 2014, but ask not to be disqualified from FAP or MA because she lives paycheck to paycheck/has children.

Sixth, the OIG Investigation Report indicated that the OIG agent also spoke to Respondent on June 5, 2015. Exhibit A, p. 3.

Based on the foregoing information and evidence, the Department has established by clear and convincing evidence that Respondent committed an IPV of FAP benefits. The evidence is sufficient to establish that Respondent no longer resided in Michigan and she was no longer eligible for FAP benefits. Specifically, the Department presented evidence to establish Respondent's intent during the IPV usage. The Department presented evidence that Respondent was employed during the fraud period and the

employment verification indicated that she had [REDACTED] address. Exhibit A, pp. 66-70. Moreover, the FAP transaction history showed that Respondent used the benefits out-of-state in [REDACTED] during the fraud period. See Exhibit A, pp. 54-56. Finally, Respondent acknowledged in her own letter received on July 1, 2015, that she failed to change her address at the time she moved to [REDACTED]. Exhibit A, pp. 79-80. This evidence is sufficient to show that Respondent no longer resided in Michigan and that she intentionally withheld information concerning an out-of-state move during the fraud period in order to maintain her Michigan FAP eligibility.

In summary, there was clear and convincing evidence that Respondent was aware of her responsibility to report changes in residence and that she intentionally withheld information concerning an out-of-state move for the purpose of maintaining Michigan FAP eligibility.

Disqualification

A client who is found to have committed an IPV by a court or hearing decision is disqualified from receiving program benefits. BAM 720, p. 15; BEM 708 (April 2014), p. 1. Clients are disqualified for ten years for a FAP IPV involving concurrent receipt of benefits, and, for all other IPV cases involving FIP, FAP or SDA, for standard disqualification periods of one year for the first IPV, two years for the second IPV, and lifetime for the third IPV. BAM 720, p. 16. CDC clients who intentionally violate CDC program rules are disqualified for six months for the first occurrence, twelve months for the second occurrence, and lifetime for the third occurrence. BEM 708, p. 1. A disqualified recipient remains a member of an active group as long as he lives with them, and other eligible group members may continue to receive benefits. BAM 720, p. 16.

In this case, the Department has satisfied its burden of showing that Respondent committed an IPV concerning FAP benefits. Therefore, Respondent is subject to a disqualification under the FAP program. BAM 720, p. 16.

FAP Overissuance

As previously stated, the Department has established that Respondent committed an IPV of FAP benefits. In consideration of the out-of-state use that began on February 25, 2014, the Department determined that the OI period began on April 1, 2014. See Exhibit A, pp. 4 and 54. It is found that the Department applied the appropriate OI begin. See BAM 720, p. 7.

Additionally, when a client group receives more benefits than it is entitled to receive, the Department must attempt to recoup the overissuance (OI). BAM 700, p. 1. The amount of the OI is the benefit amount the group or provider actually received minus the amount the group was eligible to receive. BAM 720, p. 8.

In establishing the OI amount, the Department presented a benefit summary inquiry showing that Respondent was issued FAP benefits by the State of Michigan from April 2014 to June 2014, which totaled [REDACTED]. See Exhibit A, p. 73. Therefore, the Department is entitled to recoup [REDACTED] of FAP benefits it issued to Respondent from April 1, 2014 to June 30, 2014.

MA Overissuance

The Department initiates MA recoupment of an overissuance (OI) due to client error or intentional program violation (IPV), not when due to agency error. BAM 710 (October 2015), p. 1. When the Department receives the amount of MA payments, it determines the OI amount. BAM 710, p. 1. For an OI due to unreported income or a change affecting need allowances:

- If there would have been a deductible or larger deductible, the OI amount is the correct deductible (minus any amount already met) or the amount of MA payments, whichever is less.
- If there would have been a larger LTC, hospital or post-eligibility patient-pay amount, the OI amount is the difference between the correct and incorrect patient-pay amounts or the amount of MA payments, whichever is less.

BAM 710, p. 2. For an OI due to any other reason, the OI amount is the amount of MA payments. BAM 710, p. 2.

In this case, the Department also alleges that an OI was present for Respondent's MA benefits. The Department alleges that Respondent failed to notify the Department that she no longer resided in Michigan but her MA benefits continued to pay her and/or her group member's health premiums/capitations while she was out-of-state. As stated previously, a FAP IPV is present in this situation and an OI amount was established. See BAM 720, p. 8. The evidence is persuasive that Respondent was not a Michigan resident. As such, Respondent and/or her group members were also not eligible for MA benefits during the OI period due to her out-of-state residency and therefore, a MA OI amount is present. See BEM 211 (January 2014), p. 2 and BEM 220, pp. 1-2.

In establishing the OI amount, BAM 710 states that for an OI due to any other reason, the OI amount is the amount of MA payments. See BAM 710, p. 2. The Department presented a summary of the MA capitations paid on Respondent and/or her group member's behalf from April 2014 to July 2014, which totaled [REDACTED] Exhibit A, pp. 75-76. Thus, the Department is entitled to recoup [REDACTED] of MA benefits it issued to Respondent for April 1, 2014 to July 31, 2014.

In summary, the total OI the Department is entitled to recoup is \$ [REDACTED] of FAP and MA benefits for the period of April 2014 to July 2014 ([REDACTED] FAP OI plus [REDACTED] MA OI).

DECISION AND ORDER

The Administrative Law Judge, based upon the above Findings of Fact and Conclusions of Law, and for the reasons stated on the record, if any, concludes that:

1. The Department **has** established by clear and convincing evidence that Respondent committed an IPV.
2. Respondent **did** receive an OI of FAP and MA program benefits in the amount of
[REDACTED]

The Department is **ORDERED** to initiate recoupment/collection procedures for the amount of [REDACTED] in accordance with Department policy, less any amount already recouped and/or collected.

It is **FURTHER ORDERED** that Respondent be disqualified from FAP for a period of **12 months**.

EF/tm


Eric J. Feldman
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

Petitioner

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