



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

SHELLY EDGERTON
DIRECTOR

Date Mailed: June 27, 2018
MAHS Docket No.: 18-003673
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, a telephone hearing was held on May 31, 2018, from Lansing, Michigan. Petitioner was represented by herself, and her husband [REDACTED] testified on her behalf. The Department of Health and Human Services was represented by Christine Brown, Eligibility Specialist.

ISSUE

Did the Department of Health and Human Services (Department) properly determine Petitioner's eligibility for Medical Assistance (MA)?

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 is a Medical Assistance (MA) recipient.
2. Petitioner's husband filed a Form 1040 US Individual Income Tax Return for 2016 with a filing status of married filing jointly along with Petitioner and claiming two children as tax dependents. Exhibit A, pp 3-19.
3. Petitioner reported an adjusted gross income of \$36,093 to the IRS. Exhibit A, p 4.
4. Petitioner reported receiving income from a S-Corporation in the gross annual amount of \$37,490. Exhibit A, p 6.

5. On March 19, 2018, the Department notified Petitioner that she was approved for Medical Assistance (MA) with a \$1,873 monthly deductible as of April 1, 2018. Exhibit A, pp 28-30.
6. On April 2, 2018, the Department received Petitioner's request for a hearing protesting the level of Medical Assistance (MA) she is receiving. Exhibit A, p 2.

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.

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 determine 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. Department of Health and Human Services Bridges Eligibility Manual (BEM) 500 (January 1, 2016), pp 3-4.

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.¹

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.

Petitioner is a member of a benefit group including her husband and two children that Petitioner claims as tax dependents. Petitioner's US income tax return shows that Petitioner reported an adjusted gross income of \$36,093 to the IRS as a MAGI group of four. This income exceeds 133% of the federal poverty level for 2018. Therefore, Petitioner is not eligible for MA under the Health Michigan Program solely based on the S-Corporation income, and the 5% income disregard does not make her eligible for benefits under this category.

Petitioner is not eligible for HMP benefits based on his income, but not solely based on his S-Corporation earned income. Benefits under HMP are based on MAGI, and MAGI is defined as the total of adjusted gross income plus any foreign earned income excluded from taxes, tax exempt interest, and tax exempt social security income. See MAGI Manual, p 49.

Persons may qualify under more than one MA category. Federal law gives them the right to the most beneficial category. The most beneficial category is the one that results in eligibility or the least amount of excess income. Department of Health and Human Services Bridges Eligibility Manual (BEM) 105 (April 1, 2017), p 2.

After determining that Petitioner is not eligible for HMP benefits, the Department then determined Petitioner's eligibility for MA benefits as a caretaker relative.

The Department will count income a client receives from a S-Corp or LLC as wages, even if the client is the owner. Department of Health and Human Services Bridges Eligibility Manual (BEM) 501 (July 1, 2017), p 5.

As a caretaker relative of minor children, Petitioner is potentially eligible for MA benefits based on "countable income" as defined in BEM 500. "Countable income" is income remaining after applying the policy in the income related items. This is the amount used to determine eligibility and benefit levels. The Department will count all income that is not specifically excluded. Department of Health and Human Services Bridges Eligibility Manual (BEM) 500 (July 1, 2017), p 3.

Petitioner reported annual wages of \$100,000 and S-Corporation income of \$37,490 on his US tax return. All of this income fits the Department's definition of earned income and none of this income is excluded by policy.

¹ 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

Therefore, Petitioner is not eligible for MA benefits under the Health Michigan Program, and while he is potentially eligible for MA benefits under the G2C category, the Department failed to establish his monthly deductible properly after accurately determining his countable earned income.

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 did not act in accordance with Department policy when it determined Petitioner's eligibility for Medical Assistance (MA) as of April 1, 2018, because all of his "countable income" was not considered.

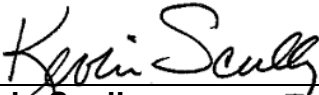
DECISION AND ORDER

Accordingly, the Department's decision is REVERSED.

THE DEPARTMENT IS ORDERED TO BEGIN DOING THE FOLLOWING, IN ACCORDANCE WITH DEPARTMENT POLICY AND CONSISTENT WITH THIS HEARING DECISION, WITHIN 10 DAYS OF THE DATE OF MAILING OF THIS DECISION AND ORDER:

Initiate a determination of the Petitioner's eligibility for Medical Assistance (MA) as of April 1, 2018, in accordance with policy.

KS/hb



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) 763-0155; 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

Randa Chenault
25620 W. 8 Mile Rd
Southfield, MI 48033

Oakland County (District 3), DHHS

BSC4 via electronic mail

D. Smith via electronic mail

EQADHShearings via electronic mail

Petitioner

[REDACTED]