



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES

ORLENE HAWKS
DIRECTOR

[REDACTED]
[REDACTED], MI [REDACTED]

Date Mailed: November 5, 2019
MOAHR Docket No.: 19-009835
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 October 17, 2019, from Lansing, Michigan. Petitioner was represented by herself. The Department of Health and Human Services was represented by Deanna Suddards and Rachael Walker.

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 as a group of two.
2. Petitioner received rental payments in February of 2019, in the gross amounts of \$ [REDACTED] \$ [REDACTED] and \$ [REDACTED] Exhibit A, p 6.
3. On August 13, 2019, the Department notified Petitioner that she was not eligible for Medical Assistance (MA) as of September 1, 2019. Exhibit A, pp 3-5.
4. On [REDACTED] [REDACTED] [REDACTED] the Department received Petitioner's request for a hearing protesting the closure of her 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.

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

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

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 was an ongoing MA recipient as a group of two receiving benefits under the Health Michigan Plan (HMP). Petitioner provided the Department with verification of her income, which consists of rental income in the gross monthly amount of \$[REDACTED] for February of 2019.

If Petitioner's income is reduced by 5% of the federal poverty level for a group of two, her income still exceeds 133% of the federal poverty level making her ineligible for HMP benefits.

The Department has policy for determining countable income from rental property and deductible rental property expenses, but this policy does not apply towards eligibility for the HMP, or any MAGI based program. Department of Health and Human Services Bridges Eligibility Manual (BEM) 504 (October 1, 2019), p 1.

Countable MAGI is determined by IRS rules, and Petitioner is not a tax filer. How rental income is reported to the IRS is determined by whether or not the rental activity is a business, and whether or not the rental activity is conducted for profit. If the rental activity is operated as a business, it needs to be reported on a Schedule C form. If the rental activity is not operated as a business, the income can be reported as personal income, but this limits available expense deductions. See IRS Publication 525.

Department policy allows for deductions from business income to be verified by submitting a Schedule C form, even if not yet filed with the IRS. Department of Health and Human Services Bridges Eligibility Manual (BEM) 502 (October 1, 2019), p 4. In this case, Petitioner did not submit a Schedule C form to the Department, and she testified that she chose not to file a tax return with the IRS. Therefore, Petitioner does not have any verified deductions from her rental income, and the income is all countable towards her MAGI.

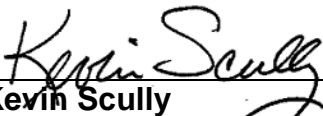
Since Petitioner's MAGI is more than 133% of the federal poverty level, and the 5% income disregard does not make her eligible for benefits, Petitioner is not eligible for HMP benefits. The hearing record supports a finding that Petitioner is not eligible for MA under any other category.

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 determined that Petitioner is not eligible for Medical Assistance (MA) benefits due to her income.

DECISION AND ORDER

Accordingly, the Department's decision is AFFIRMED.

KS/hb



Kevin Scully
Administrative Law Judge
for Robert Gordon, 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 Office of Administrative Hearings and Rules (MOAHR).

A party may request a rehearing or reconsideration of this Order if the request is received by MOAHR 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. MOAHR will not review any response to a request for rehearing/reconsideration.

A written request may be mailed or faxed to MOAHR. If submitted by fax, the written request must be faxed to (517) 763-0155; Attention: MOAHR Rehearing/Reconsideration Request.

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

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

DHHS

Yvonne Hill
30755 Montpelier Drive
Madison Heights, MI 48071

Oakland County (District 2), DHHS

BSC4 via electronic mail

D. Smith via electronic mail

EQADHShearings via electronic mail

Petitioner

[REDACTED]
[REDACTED], MI [REDACTED]