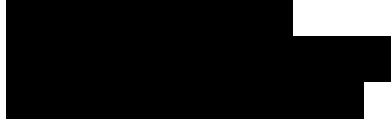




GRETCHEN WHITMER
GOVERNOR

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

ORLENE HAWKS
DIRECTOR



Date Mailed: August 15, 2019
MOAHR Docket No.: 19-002672
Agency No.: [REDACTED]
Petitioner: OIG
Respondent: [REDACTED]

ADMINISTRATIVE LAW JUDGE: Jacquelyn A. McClinton

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, 42 CFR 431.230(b), 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 July 29, 2019, from Detroit, Michigan. The Department was represented by Dawn O'Dell, Regulation Agent of the Office of Inspector General (OIG).

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 FAP and 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 FAP benefits for 12 months?

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 March 5, 2019, 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 FAP 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 residency to the Department within 10 days.
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 fraud period is October 1, 2016 through January 31, 2017 (1st FAP fraud period).
7. During the fraud period, Respondent was issued \$1,428.00 in FAP benefits by the State of Michigan, and the Department alleges that Respondent was entitled to \$0.00 in such benefits during this time period.
8. The Department alleges that Respondent received an OI in FAP benefits in the amount of \$1,428.00.
9. The Department's OIG indicates that the time period it is considering the fraud period is September 1, 2017 through October 31, 2017 (MA fraud period).
10. During the fraud period, Respondent was issued \$376.48 in 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.
11. The Department alleges that Respondent received an OI in MA benefits in the amount of \$376.48.
12. The Department's OIG indicates that the time period it is considering the fraud period is September 1, 2017 through October 31, 2017 (2nd FAP fraud period).
13. During the fraud period, Respondent was issued \$714.00 in FAP benefits by the State of Michigan, and the Department alleges that Respondent was entitled to \$0.00 in such benefits during this time period.
14. The Department alleges that Respondent received an OI in FAP benefits in the amount of \$714.00.
15. This was Respondent's first alleged IPV.

16. A Notice of Hearing was mailed to Respondent at the last known address and was not returned by the United States Postal Service 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 October 1, 2014, 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 \$500.00 or more, or
 - the total amount is less than \$500.00, 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 (October 2017), p. 12-13.

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.

7 CFR 273.16(c); BAM 700 (October 2018), p. 8; 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, misrepresented information, or withheld facts or committed any act constituting a violation of Supplemental Nutritional Assistance Program (SNAP) regulations or State statutes for the **purpose** of establishing, maintaining, using, presenting, transferring, receiving, possessing, trafficking, increasing or preventing reduction of program benefits or eligibility. BAM 720, pp. 1, 12-13 (emphasis in original); 7 CFR 273.16(c) and (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.

Failed to report household income

In this case, the Department alleges that Respondent committed an IPV of his FAP benefits because he failed to notify the Department when his mother, a household member, secured employment. While this evidence may be sufficient to establish that Respondent may have been overissued benefits, to establish an IPV, the Department must present clear and convincing evidence that Respondent **intentionally** withheld or misrepresented information for the purpose of maintaining benefits.

In support of its contention that Respondent committed an IPV, the Department presented an application Respondent submitted to the Department on [REDACTED], 2016 and a Redetermination submitted by Respondent on November 25, 2016. The Department asserts that when completing the application process, Respondent acknowledged that he had received the Information Booklet advising his regarding

“Things You Must Do” which explained reporting changes in circumstances including employment. In both the application and Redetermination, Respondent listed his mother as a household member.

Additionally, the Department presented an Equifax Consumer Employment & Income Report which revealed that Respondent’s mother began working for [REDACTED] on August 8, 2016 and continued working throughout each of the fraud periods. Although the application was submitted prior to the start of Respondent’s mother’s employment, the Redetermination was submitted after Respondent’s mother began working. Respondent submitted the Redetermination and indicated in Section 11 that no one in the household had income. Because the Redetermination was submitted more than three months after the employment began and Respondent failed to notify the Department of the employment, it is found that the Department has established that Respondent intentionally withheld or misrepresented information for the purpose of maintaining FAP benefits by failing to report the income for the period of October 1, 2016 through January 31, 2017.

Out of state usage

In this case, the Department seeks an IPV due to the Respondent’s out-of-state use of his Michigan FAP benefits alleging that Respondent failed to report his change in residency outside of Michigan; and thus, he was not entitled to Michigan FAP benefits.

In support of its allegations the Department presented an IG-311 FAP transaction history to establish that Respondent used all of his Michigan issued FAP benefits exclusively outside the State of Michigan from September 1, 2017 through November 26, 2017. The Department also provided evidence to show that Respondent’s parole was transferred to the State of Texas on June 23, 2017.

Federal Regulations provide with respect to FAP recipient’s residency requirements state that:

- (a) *A household shall live in the State in which it files an application for participation.* The State agency may also require a household to file an application for participation in a specified project area (as defined in § 271.2 of this chapter) or office within the State. No individual may participate as a member of more than one household or in more than one project area, in any month, unless an individual is a resident of a shelter for battered women and children as defined in § 271.2 and was a member of a household containing the person who had abused him or her. Residents of shelters for battered women and children shall be handled in accordance with § 273.11(g). *The State agency shall not impose any durational residency requirements.* The State agency shall not require an otherwise eligible household to reside in a permanent dwelling or have a fixed mailing address as a condition of eligibility. *Nor shall residency require an intent to*

reside permanently in the State or project area. Persons in a project area solely for vacation purposes shall not be considered residents.

7 CFR 273.3 (emphasis added). Based upon the above residency federal regulation, there is no requirement that an eligible household reside in Michigan, except at the time of application. In addition, there is no requirement that residency be based upon the recipient's intent to reside permanently in Michigan. The Department did not present any evidence that Respondent misrepresented his address on any application or redetermination with the State of Michigan. The Department cited no federal requirement or regulation that prohibits out of state use of Michigan FAP benefits by a recipient. The Department also agreed that FAP benefits may be utilized anywhere in the United States where Supplemental Nutritional Assistance Program (SNAP) benefits are accepted.

Department policy BEM 220 requires that a person be a Michigan resident for FAP eligibility and provides that a person is 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 (April 2018), p. 1. In order to be in compliance with the federal regulations, this rule can only apply at application. No evidence was presented that Respondent lacked Michigan residency at application and the Department conceded that this was not a concern. Department policy BEM 212 also defines a temporary absence from a group as having lasted or expecting to last 30 days or less. BEM 212 (January 2017), p. 3. There is no federal requirement to maintain a residence in any given state. A FAP recipient is free to use their FAP benefit in any state. So long as there was no misrepresentation of residency at the time of application, there can be no IPV for failure to maintain Michigan residency or failure to inform the Department about a change in residency.

Based upon the foregoing, the Department has not established that Respondent committed an IPV of the FAP program by clear and convincing evidence based upon a failure to report a change in residency in the FAP for the period of September 1, 2017 through October 31, 2017.

The rules regarding residency are different for FAP cases than they are in MA cases. A Medicaid recipient, must be a Michigan resident which is defined as an individual who is living in Michigan except for a temporary absence. BEM 220, p. 2. Residency continues for an individual who is temporarily absent from Michigan or intends to return to Michigan when the purpose of the absence has been accomplished. BEM 220, p. 2. As an example, policy allows that individuals who spend the winter months in a warmer climate and return to their homes in spring, remain Michigan residents during the winter months. BEM 220, p. 2.

The Department has shown that Respondent was using his FAP benefits outside of Michigan for an extended period. The Department also presented evidence that Respondent no longer lived at the address from his most recent application.

Respondent's exclusive use of FAP benefits outside of Michigan and the transfer of his parole show that he was absent from Michigan for such an extended period that he lost his Michigan residency for MA purposes unless Respondent can show that the absence was temporary. Respondent did not appear at the hearing to explain his absence. In addition, Respondent had an obligation to report his change in circumstances to the Department within ten days of the change itself. He was informed of this obligation at the time of his application. Respondent's failure to inform the Department of the change is an IPV of the MA program.

Disqualification

A court or hearing decision that finds a client committed an IPV disqualifies that client from receiving program benefits. BAM 720, p. 15. A disqualified recipient remains a member of an active group as long as he/she lives with them, and other eligible group members may continue to receive benefits. BAM 720, p. 16. Clients who commit an IPV are disqualified for a standard disqualification period except when a court orders a different period, or except when the OI relates to MA or FAP. BAM 720, p. 13. Clients are disqualified for periods of one year for the first IPV, two years for the second IPV, lifetime disqualification for the third IPV, and ten years for a FAP concurrent receipt of benefits. BAM 720, p. 16; 7 CFR 273.16(b)(1); 7 CFR 273.16(b)(11).

As discussed above, the Department has satisfied its burden of proof in establishing an IPV of the FAP. Therefore, the Respondent is subject to a 12-month disqualification from the FAP.

Overissuance

When a client group receives more benefits than entitled to receive, the Department must attempt to recoup the OI. BAM 700, p. 1. The amount of a FAP OI is the benefit amount the client actually received minus the amount the client was eligible to receive. BAM 720, p. 8; BAM 715 (January 2016), p. 6; BAM 705 (January 2016), p. 6; 7 CFR 273.18(c)(1).

FAP Overissuance

In this case, the Department sought the imposition of an IPV due to Respondent's failure to report household employment and due to his lack of Michigan residency. As discussed above, the Department established that Respondent failed to report his household employment to the Department but failed to establish that Respondent was ineligible for FAP due to lack of residency. Therefore, the Department has established an OI of FAP benefits in the amount of \$1,428.00 for the period of October 1, 2016 through January 31, 2017 but has not established an OI or that the Respondent received more benefits than he was entitled to receive for the period of September 1, 2017 through October 31, 2017.

Medical Assistance 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 (January 2018), p. 1. For an OI due to any other reason other than unreported income or a change affecting need allowances, the OI amount is the amount of MA payments. BAM 710, p. 2.

In this case, the Department alleges that an OI was present due to client error regarding Respondent's MA benefits. The Department alleges that Respondent failed to notify the Department that he no longer resided in Michigan during the OI period April 2018 through June 2018, but that he continued to receive MA benefits from Michigan while he was out-of-state. As discussed above, Respondent had an obligation to report changes in his residency for purposes of MA benefits but failed to report the change resulting in an IPV and a client error.

The Department established through capitation reports that Respondent was issued \$376.48 in MA benefits. Since Respondent was not living in Michigan, did not report his change in residency, and failed to appear at the hearing to establish that his absence from Michigan was temporary, the Department has met its burden of proof in establishing an OI of MA benefits. The Department may recoup or collect the MA OI of \$376.48.

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 **received** an OI of MA program benefits in the amount of \$376.48 from the MA.
3. Respondent **did receive** an OI of FAP benefits in the amount of \$1,428.00 for the period of October 1, 2016 through January 31, 2017.
4. Respondent **did not receive** an OI of FAP benefits in the amount of \$714.00 for the period of September 1, 2017 through October 31, 2017.

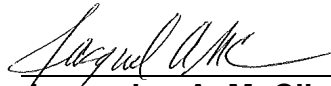
The Department is ORDERED to delete the FAP OI and cease any recoupment action for the period of September 1, 2017 through October 31, 2017.

The Department is ORDERED to initiate recoupment/collection procedures for the amount of \$1,428.00 for the FAP program in accordance with Department policy.

The Department is ORDERED to initiate recoupment/collection procedures for the amount of \$376.48 for the MA program in accordance with Department policy.

It is FURTHER ORDERED that Respondent is subject to a 12-month disqualification from the FAP.

JAM/tlf



Jacquelyn A. McClinton
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

Via Email:

MDHHS-Wayne-15-Hearings
OIG Hearing Decisions
Recoupment
MOAHR

Respondent – Via First-Class Mail:

