



Date Mailed: March 20, 2025

Docket No.: 25-007254

Case No.: [REDACTED]

Petitioner: [REDACTED]

«RECIP_FULL_NAME»

«RECIP_ADD0»

«RECIP_ADD1»

«RECIP_ADD2»

«RECIP_CITY», «RECIP_SPCODE»

«RECIP_POSTAL»

This is an important legal document. Please have someone translate the document.

هذه وثيقة قانونية مهمة. يرجى أن يكون هناك شخص ما يترجم المستند.

এটি একটি গুরুত্বপূর্ণ আইনি ডকুমেন্ট। দয়া করে কেউ দস্তাবেজ অনুবাদ করুন।

Este es un documento legal importante. Por favor, que alguien traduzca el documento.

这是一份重要的法律文件。请让别人翻译文件。

Ky është një dokument ligjor i rëndësishëm. Ju lutem, kini dikë ta përktheni dokumentin.

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; and Mich Admin Code, R 792.11002. After due notice, a hearing was held via telephone conference on March 12, 2025, Petitioner appeared for the hearing with his son [REDACTED] and represented himself. Petitioner's son served as Arabic interpreter. The Michigan Department of Health and Human Services (MDHHS or Department) was represented by Marcella Towns, Assistance Payment Worker.

ISSUE

Did the Department properly deny Petitioner's application for Food Assistance Program (FAP) and 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. On or around [REDACTED] 2024, Petitioner submitted an application for FAP and MA benefits.

-
-
2. On or around October 10, 2024, the Department sent Petitioner a Health Care Coverage Determination Notice advising him that he and his wife were ineligible for MA benefits for July 1, 2024, ongoing.
 - a. The Department did not present the October 10, 2024, Health Care Coverage Determination Notice for review during the hearing despite being instructed to submit it to the undersigned following the closure of the hearing record. Thus, the exact denial period and reason could not be verified.
 3. While the Health Care Coverage Determination Notice was not presented for review, the Department asserted that Petitioner and his wife were ineligible for MA because their income exceeded the limit. The Department asserted that Petitioner has annual income of [REDACTED], which taken monthly, results in monthly income of [REDACTED]
 4. On or around November 15, 2024, the Department sent Petitioner a Notice of Case Action advising him that his [REDACTED] 2024, FAP application was denied because his income exceeded the gross income limit. The Notice of Case Action indicates that Petitioner's income was [REDACTED] and the monthly income limit is [REDACTED] (Exhibit D)
 5. Petitioner requested a hearing disputing the Department's determination that he had excess income for MA. Petitioner's request for hearing was assigned MOAHR Docket. No. 24-011225 and on November 13, 2024, a hearing was held. On December 13, 2024, Administrative Law Judge (ALJ) Lassner issued a Hearing Decision concluding that the Department did not properly determine that Petitioner and his spouse were ineligible for MA due to excess income. The Department was ordered to redetermine MA eligibility for Petitioner and his wife for August 2024, ongoing, and to request verifications if necessary. (See Hearing Decision for MOAHR Docket. No. 24-011225)
 - a. There was no evidence that Petitioner's request for hearing disputed the denial of the [REDACTED] 2024, FAP application.
 6. The Department asserted that in connection with the Hearing Decision issued by ALJ Lassner, it reprocessed Petitioner's MA eligibility.
 7. On or around February 4, 2025, the Department sent Petitioner a Health Care Coverage Determination Notice advising him that he still has excess income for MA and needs to seek private insurance. The Health Care Coverage Determination Notice advises Petitioner that for the month of June 2024, he was eligible for full coverage MA and for the month of July 2024, he was ineligible for MA. The Health Care Coverage Determination Notice indicates that Petitioner has excess income. The Health Care Coverage Determination Notice does not identify any eligibility or ineligibility for MA for Petitioner's wife. (Exhibit B)

-
-
8. On or around February 10, 2025, Petitioner requested a hearing disputing the Department's second denial of his MA application and the information contained in the February 4, 2025, Health Care Coverage Determination Notice. Petitioner also disputed the denial of his [REDACTED] 2024, FAP application. (Exhibit A, pp. 3-5)
 9. Petitioner's February 10, 2025, request for hearing was assigned MOAHR Docket No. 25-007254 and is the subject of the present proceeding.

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 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-.3011.

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.

In this case, Petitioner disputed the denial of his [REDACTED] 2024, FAP and MA application. At the hearing, the Department representative testified that Petitioner and his spouse were ineligible for both FAP and MA benefits due to excess income.

Income eligibility is a condition of receiving FAP and MA benefits. The Department considers the income a client receives from an LLC as wages, even if the client is the owner. Wages are the pay an employee receives from another individual organization or S-Corp/LLC. Wages include salaries, tips, commissions, bonuses, severance pay, and flexible benefit funds not used to purchase insurance. BEM 501 (January 2024). Acceptable verification sources for wages are outlined in BEM 501. Individuals who run their own businesses are self-employed. This includes but is not limited to selling goods and providing direct services. However, LLCs are not self-employment. BEM 502 (June 2024). Acceptable verification sources for self-employment income are outlined in BEM 502.

With respect to the MA program, the Department representative testified that in connection with the Hearing Decision issued by ALJ Lassner, the case worker redetermined Petitioner and his spouse's MA eligibility and issued the February 4, 2025, Health Care Coverage Determination Notice, again denying the application for excess income. The Department representative testified that it did not appear that Petitioner's income was updated, however; and that the case worker seems to have relied upon the same income information as the initial denial issued in October 2024. Petitioner and his wife's MA eligibility is addressed below.

Because Petitioner and his wife are under age 65, do not qualify for Medicare, and are not the parents of any minor children, they are potentially eligible for full coverage MA under the HMP. HMP is a MAGI-related MA category that provides MA coverage to individuals who (i) are 19 to 64 years of age; (ii) have income under the MAGI methodology at or below 133% of the federal poverty level (FPL); (iii) do not qualify for or are not enrolled in Medicare; (iv) do not qualify for or are not enrolled in other MA programs; (v) are not pregnant at the time of application; and (vi) are residents of the State of Michigan. BEM 137, p. 1; 42 CFR 435.603.

An individual is eligible for HMP if the household's MAGI-income does not exceed 133% of the FPL applicable to the individual's group size. An individual's group size for MAGI purposes requires consideration of the client's tax filing status and dependents. Family size means the number of persons counted as members of an individual's household. 42 CFR 435.603(b). The Department representative testified that at the time the eligibility determination was made, Petitioner's tax filing group was two people, which included himself and his wife. Petitioner confirmed he files taxes jointly with his wife and that they do not claim any tax dependents. Therefore, for HMP purposes, Petitioner and his wife have a household size of two. The FPL for a group size of two in 2024 is \$20,440. 133% of the annual FPL in 2024, for a household with two members is [REDACTED]. See <https://aspe.hhs.gov/poverty-guidelines>. Therefore, to be income eligible for HMP, Petitioner's annual income cannot exceed [REDACTED] and thus, the monthly income cannot exceed [REDACTED] as they were current beneficiaries. Additionally, Department policy provides that if an individual's group's income is within 5% of the FPL for the applicable group size, a disregard is applied, making the person eligible for MA. MREM, § 7.2; BEM 500 (April 2022), pp. 3-5. With the 5% disregard applied, the household income limit is [REDACTED] or [REDACTED] monthly.

To determine financial eligibility under HMP, income must be calculated in accordance with MAGI under federal tax law. 42 CFR 435.603(e); BEM 500 (April 2022), p. 3. MAGI is based on Internal Revenue Service rules and relies on federal tax information. *Id.* To determine income in accordance with MAGI, a client's adjusted gross income (AGI) is added to any tax-exempt foreign income, tax-exempt Social Security benefits, and tax-exempt interest. Alternatively, it is calculated by taking the "federal taxable wages" for each income earner in the household as shown on the paystub or, if not shown on the paystub, by using gross income before taxes reduced by any money the employer takes out for health coverage, child care, or retirement savings. See <https://www.healthcare.gov/income-and-household-information/how-to-report/>. When

determining financial eligibility of current beneficiaries of MAGI-related MA, the State of Michigan has elected to base eligibility on current monthly income and family size. Additionally, the Department is to consider reasonably predictable changes in income. For individuals who are seasonal workers who know that they will only work for some portion of the year, the Department will consider the reasonably predictable future income decrease within the upcoming 12 months. The seasonal income reported will be averaged to arrive at a monthly amount, which is then added to any other non-fluctuating income. Michigan Medicaid State Plan Amendment Transmittal 17-0100, effective November 1, 2017 and approved by the Center for Medicare and Medicaid Services on March 13, 2018 available at https://www.michigan.gov/mdhhs/-/media/Project/Websites/mdhhs/Folder3/Folder80/Folder2/Folder180/Folder1/Folder280/SPA_17-0100_Approved.pdf.

The Department representative present for the hearing could not provide many details on the actions taken by the case worker in response to the Hearing Decision issued by ALJ Lassner; however, the Department representative testified that it did not appear that the case worker had updated any of Petitioner's income information and seemed to rely on the income information available in Bridges prior to the first hearing, specifically, his 2023 Tax Return. According to the Department's Hearing Summary, Petitioner's household MAGI was calculated based on income Petitioner receives as a taxi driver. Specifically, the Hearing Summary indicates that Petitioner is the registered owner of an LLC called Comfort Transportation. The Hearing Summary indicates that the tax return and Schedule C submitted show showed gross receipts or sales of [REDACTED]. The Department testified that when taken monthly, and divided by 12, the monthly income was determined to be [REDACTED].

It is noted, however, that when calculating MAGI in situations where income is difficult to predict because of unemployment, self-employment, commissions, or a work schedule that changes regularly, income should be estimated based upon past experiences, recent trends, possible changes in the workplace, and similar information. Net income from self-employment is what is reported on a Scheduled C of a federal tax return. An individual's self-employment net income (profit after subtracting business expenses) is utilized when calculating an individual's MAGI income. See: <https://www.healthcare.gov/income-and-household-information/how-to-report/> and <https://www.medicaid.gov/state-resource-center/mac-learning-collaboratives/downloads/part-2-income.pdf>.

It was unclear based on the Department's testimony whether Petitioner's income was wages from an LLC or self-employment. However, if the Department concluded that Petitioner was self-employed and not paid wages through his LLC as the testimony suggested at the hearing, because the Department is to consider net income or net profit when calculating self-employment income for MAGI and not gross receipts or sales, the Department did not properly determine the self-employment income for Petitioner.

Petitioner did not dispute that he is the owner of Comfort Transportation, LLC. Petitioner testified that he is self-employed as a driver for both Uber and Lyft and that in order to obtain commercial insurance, he was required to form an LLC. It was unclear whether Petitioner's income is received through the LLC however, as the IRS Form 1040 and the Schedule C supplement do not identify any income from Comfort Transportation, LLC in particular, and instead reflect general self-employment income. (Exhibit C). Petitioner's testimony as to whether he receives payment from Uber and Lyft in the name of his business or in his personal capacity was also unclear. Petitioner testified that on multiple occasions, he submitted monthly self-employment income and expense statements to the Department in order to calculate his income.

The Department confirmed that he submitted such income and expense statements but testified that it appeared they were not considered for an unknown reason. There was no evidence that the Department properly verified Petitioner's income to determine whether it should be considered wages received from the LLC or self-employment income. See BEM 501 (January 2024); BEM 502 (June 2024). The Department could not identify whether it concluded Petitioner had wages from employment/LLC or self-employment. As such, the Department failed to show that Petitioner and his wife had excess income and were ineligible for MA under the HMP.

With respect to the FAP, on November 15, 2024, the Department sent Petitioner a Notice of Case Action advising him that his [REDACTED] 2024, FAP application was denied because his income exceeded the gross income limit. The Notice of Case Action indicates that Petitioner's income was [REDACTED] and the monthly income limit is [REDACTED] (Exhibit D). The Department again provided no explanation for how the [REDACTED] monthly gross income was determined and whether Petitioner's income was considered wages from an LLC or self-employment income that allows for additional deductions. Therefore, the Department failed to establish that Petitioner and his wife had excess income and were ineligible for FAP benefits.


DECISION AND ORDER

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 denied Petitioner's [REDACTED] 2024, FAP and MA application.

Accordingly, the Department's FAP and MA decisions are **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:

1. Register and reprocess Petitioner's [REDACTED] 2024, FAP and MA application and request verification of income to determine whether Petitioner has self-employment or employment/wages from Comfort Transportation, LLC;
2. Redetermine MA eligibility for Petitioner and his wife from August 1, 2024, ongoing;
3. If eligible, provide MA coverage to Petitioner and his wife from August 1, 2024, ongoing, under the most beneficial category, that they were entitled to receive but did not;
4. Issue FAP supplements to Petitioner for any benefits he was eligible to receive but did not from the application date, ongoing, in accordance with Department policy; and
5. Notify Petitioner in writing of its decisions.



ZAINAB A BAYDOUN
ADMINISTRATIVE LAW JUDGE

APPEAL RIGHTS: Petitioner may appeal this Hearing Decision to the circuit court. Rules for appeals to the circuit court can be found in the Michigan Court Rules (MCR), including MCR 7.101 to MCR 7.123, available at the Michigan Courts website at courts.michigan.gov. The Michigan Office of Administrative Hearings and Rules (MOAHR) cannot provide legal advice, but assistance may be available through the State Bar of Michigan at <https://lrs.michbar.org> or Michigan Legal Help at <https://michiganlegalhelp.org>. A copy of the circuit court appeal should be sent to MOAHR. A circuit court appeal may result in a reversal of the Hearing Decision.

Either party who disagrees with this Hearing Decision may also send a written request for a rehearing and/or reconsideration to MOAHR within 30 days of the mailing date of this Hearing Decision. The request should include Petitioner's name, the docket number from page 1 of this Hearing Decision, an explanation of the specific reasons for the request, and any documents supporting the request. The request should be sent to MOAHR

- by email to MOAHR-BSD-Support@michigan.gov, **OR**
- by fax at (517) 763-0155, **OR**
- by mail addressed to
Michigan Office of Administrative Hearings and Rules
Rehearing/Reconsideration Request
P.O. Box 30639
Lansing Michigan 48909-8139

Documents sent via email are not secure and can be faxed or mailed to avoid any potential risks. Requests MOAHR receives more than 30 days from the mailing date of this Hearing Decision may be considered untimely and dismissed.

Via Electronic Mail:

Respondent

WAYNE-INKSTER-DHHS
26355 MICHIGAN AVE
INKSTER, MI 48141

MDHHS-WAYNE-19-HEARINGS@MICHIGAN.GOV

Interested Parties

BSC4
M HOLDEN
B CABANAW
M SCHAEFER
EQAD
MOAHR

Via First Class Mail:

Petitioner

[REDACTED]
[REDACTED] MI [REDACTED]