



GRETCHEN WHITMER  
GOVERNOR

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

MARLON I. BROWN, DPA  
DIRECTOR

[REDACTED]  
Date Mailed: February 14, 2025  
MOAHR Docket No.: 24-013629  
Agency No.: [REDACTED]  
Petitioner: [REDACTED]

**ADMINISTRATIVE LAW JUDGE: Caralyce M. Lassner**

**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; 42 CFR 438.400 to 438.424; 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 by telephone on January 16, 2025. Petitioner appeared and represented herself. The Department of Health and Human Services (Department) was represented by Avery Smith, Assistance Payments Supervisor.

**ISSUE**

Did the Department properly determine Petitioner's minor son's eligibility for Medicaid (MA) coverage effective October 1, 2024 ongoing?

**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 September 12, 2024, Petitioner completed a redetermination application for MA for her [REDACTED] year old son, [REDACTED] (Child). (Exhibit A, pp. 1).
2. Child's father is [REDACTED] (Father).
3. Petitioner and Father are not married, and Petitioner, Child, and Father live together in Oakland County, Michigan.
4. Neither Petitioner nor Father have any other dependent children.
5. Petitioner and Father file income tax returns separately and Petitioner claims Child.
6. Petitioner does not work and has no income.

7. Father works for [REDACTED] (Employer) and has regular gross earnings of \$ [REDACTED] bi-weekly. (Exhibit A, pp. 6 – 7).
8. On October 9, 2024, the Department sent Petitioner a Health Care Coverage Determination Notice (HCCDN) that approved Child for MA subject to a deductible of \$6,398 per month. (Exhibit A, pp. 11 – 12).
9. On December 9, 2024, the Department received Petitioner's request for hearing disputing the Department's determination of Child's MA eligibility. (Exhibit A, pp. 3 – 4).
10. The Department's eligibility summary reflected that Child is approved for MA subject to a monthly deductible of \$4,171 effective October 1, 2024. As of the date of the hearing, the Department had not issued an HCCDN that reflected the reduced deductible amount. (Exhibit A, p. 17).

### **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.

Petitioner disputed the Department's determination of Child's MA eligibility and the amount of Child's monthly deductible under the Group 2 Under 21 (G2U) MA program. The Department initially approved Child for G2U MA subject to a deductible of \$6,398 per month. Prior to the hearing, the Department updated the income in the case and approved Child for G2U MA subject to a deductible of \$4,171 per month.

Under federal law, an individual is entitled to the most beneficial category, which is the one that results in a) eligibility, b) the least amount of excess income, or c) the lowest cost share. BEM 105 (January 2024), p. 2. Because Child is between the ages of 1 and 19, and there was no evidence he was enrolled in a comprehensive health insurance plan or a foster child, he is potentially eligible for MA under three programs: (1) the Under Age 19 (U19) program; (2) the MiChild program; and (3) the G2U program. BEM 105, p. 1, 3-4; BEM 130 (January 2024), p. 1; BEM 131 (January 2022), p. 1; BEM 132 (April 2018), p. 1.

The U19 program is a Modified Adjusted Gross Income (MAGI)-related Group 1 MA category that provides full-coverage MA without a deductible for children whose household income, calculated in accordance with MAGI rules, is less than or equal to 160% of the Federal Poverty Level (FPL). BEM 131, pp. 1 – 2. MiChild is also a MAGI-related MA category but eligibility is limited to children who are not enrolled in comprehensive health insurance and, for children age one to 19, whose household MAGI income is 161% to 212% of the FPL. BEM 130, pp. 1 – 2. G2U is a non-MAGI MA category for individuals under the age of 21 whose fiscal group's income exceeds the income limit for U19 or MiChild eligibility and provides for MA coverage subject to a monthly deductible when the group has excess income. BEM 132, p. 2.

For MAGI-related MA, a client's group size is determined based on the client's tax filing status. The household for an individual under the age of 19 (or under 21 if a full time student) and who expects to be claimed by one parent as a tax dependent and is living with both parents, but the parents do not expect to file a joint tax return, is considered a non-filer/non-dependent. BEM 211 (October 2023), p. 2. The household for a non-tax filer consists of the individual and, if the individual is under the age of 19 (or under 21 if a full time student), includes the individual's parents and siblings under the age of 19 (or under 21 if a full time student) if they are living with the individual. BEM 211, p. 2. In this case, there was no dispute that Petitioner filed taxes separately from Father, claimed Child as a dependent, neither Petitioner or Father have any other dependent children, and that Petitioner, Father, and Child reside together. (Exhibit A, p. 14). Therefore, for MAGI-related U19 and MiChild purposes, Child has a household size of three. BEM 211, pp. 1 – 2.

An individual is eligible for U19 and MiChild purposes if their MAGI-income does not exceed 212% of the FPL applicable to the individual's group size, which is the income limit applicable to MiChild eligibility and higher than the income limit for U19 eligibility. Additionally, for MAGI-related plans, a 5% disregard is available to make those individuals eligible who would otherwise not be eligible and increases the income limit by an amount equal to 5% of the FPL for the group size. BEM 500 (April 2022), p. 5; 42 CFR 435.603(d)(1).

For 2024, the annual FPL for a household size of three was \$25,820<sup>1</sup>. 89 FR 2961 (January 2024). The MiChild income limit, 212% of the FPL, was \$54,738.40 annually, or \$4,561.53 per month. 5% of the FPL of \$25,820 was \$1,291. Therefore, the total income limit for MiChild, with the disregard, was \$56,029.40, or \$4,669.12 per month.

To determine Child's MAGI-income, the Department must calculate the countable income of the household group. BEM 500, p. 1. To determine financial eligibility for MAGI-related MA, income must be calculated in accordance with MAGI under federal tax law. 42 CFR 435.603(e); BEM 500, pp. 3 – 4. MAGI is based on Internal Revenue

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<sup>1</sup> The FPL increased for 2025 however, because the effective date of the MA coverage in dispute was October 1, 2024 ongoing, the 2025 FPL limits were not applicable to the issue presented.

Service rules and relies on federal tax information from current income sources. BEM 500, pp. 3 – 4; see also 42 CFR 435.603(h)(1),(2).

The Department uses current monthly income, and reasonably predictable changes in income, to calculate a client's MAGI-income. (MAGI-Based Income Methodologies (SPA 17-0100), eff. 11/01/2017, app. 03/13/2018); 42 CFR 435.603(h). MAGI-income is calculated for each income earner in the household by using the "federal taxable wages" reported on earner's paystubs or, if federal taxable wages are not reported on the paystub, by using "gross income" minus amounts deducted by the employer for child care, health coverage, and retirement plans. A client's tax-exempt foreign income, tax-exempt Social Security benefits, and tax-exempt interest, if any, from the client's tax return are added back to the client's adjusted gross income (AGI) to determine MAGI income. See <https://www.healthcare.gov/income-and-household-information/how-to-report/>.

In this case, although the Department did not introduce a budget for the U19 and MiChild programs, there was no dispute that Petitioner did not have any income and the Department testified that it considered Father's income from September 20, 2024, and October 4, 2024, to determine Child's MAGI-related MA eligibility. The evidence established that Father had gross bi-weekly earnings of \$[REDACTED] on each of those pay dates and, with the exception of a recent pay increase and semi-annual employment bonuses, Father's income did not vary from check to check. (Exhibit A, p. 7). The parties also agreed that Father has \$50 deducted from each paycheck for a qualified retirement contribution and there was no evidence of any other MAGI-applicable deductions. Therefore, when Father's bi-weekly earnings of \$[REDACTED], were reduced by \$50 each, Father had \$[REDACTED] in monthly MAGI income, which was more than the income limit for MiChild, and the Department properly determined Child was not eligible for U19 or MiChild MA effective October 1, 2024.

Even though Child was not eligible for full-coverage MA, he was potentially eligible for MA coverage under the G2U program. G2U is a Group 2 MA program for individuals under the age of 21 whose fiscal group's income exceeds the income limit for U19 or MiChild eligibility and provides for MA coverage subject to a monthly deductible when the group has excess income. BEM 132. For G2U, excess income exists when the child's net income exceeds the applicable Group 2 MA protected income level (PIL) set forth in RFT 240. BEM 545 (July 2022), p. 1; see also RFT 240 (December 2013). The PIL is based on the county in which the child resides and child's fiscal group size. BEM 132, p. 2; BEM 544 (January 2020), p. 1.

For purposes of MA eligibility, a child's fiscal group is the child and the child's parents. BEM 211 (October 2023), p. 8. Therefore, because Petitioner, Father, and Child were the only members of the household, for purposes of G2U, Child had a group size of three. Because Child lived in Oakland County, and Child's group size was three, Child's PIL is \$567. RFT 200 (April 2017); RFT 240. Thus, if the household's net income, calculated in accordance with BEM 536, exceeded \$567, Child was eligible for MA assistance subject to a monthly deductible. BEM 545, pp. 10 – 11.

To determine net income for Group 2 MA deductible amount purposes, the Department begins by reducing the countable earned income of each group member by specific allowed expenses. BEM 536, pp. 1 – 3; see also BEM 544; BEM 545. After reducing countable earned income by allowed deductions, that amount is added to any countable child support income and other unearned income of the group member. BEM 536, p. 3. This total is then reduced by court-ordered child support obligations and guardianship/conservator expenses, and the result is the group's total net income. BEM 536, p. 3.

As stated previously, Father was the only group member with income and the Department determined Father's income based on his gross bi-weekly earnings of \$[REDACTED] each on September 20, 2024 and October 4, 2024. A review of the budget provided by the Department confirmed that the Department properly reduced Father's income by the \$90 earned income deduction and there was no evidence he was entitled to any other allowable deductions. Therefore, his total net income was reduced to \$[REDACTED]. (Exhibit A, p. 10).

Next, the Department must determine each group member's prorated income. Prorated income is determined by dividing the total net income for each member by that member's applicable prorate divisor. BEM 536, p. 4 – 5. In groups that include parents and their children, the divisor is 2.9 plus the number of dependents living with each group member. BEM 536, p. 4. For purposes of determining the prorate divisor of each group member, dependents are the adult's spouse and unmarried children under age 18. BEM 536, p. 4.

In this case, because Petitioner and Father are not married, he is the only group member with income, and he resides with Child, Father has 1 dependent, which means he has an applicable divisor of 3.9 (2.9 + 1). When Father's total net income amount is divided by 3.9, Father's prorated income is \$[REDACTED]. Child and Petitioner each have \$0 prorated income.

Once the Department has determined each group member's prorated income amount, it is able to determine the child's total net income. To do so, the Department must add together a) the child's net income, b) the total of 3.9 times the prorated income amount ("share") of each parent, and c) one additional share of each parent's income if both of the child's parents are in the group and they are married to each other. BEM 536, p. 6. The resulting amount is the child's total net income. In this case, 3.9 shares of Father's income equaled \$[REDACTED]. Therefore, because there was no other income in the group, Child's total net income was \$[REDACTED].

Next, the Department reduces the Child's total net income by health insurance premiums paid by the group, expenses for remedial services as defined in BEM 544, and the group's PIL. BEM 544, pp. 1- 4. The balance of Child's net income, after deduction of these specific expenses, is the monthly G2U deductible amount. No evidence was introduced at hearing indicating a deduction for health insurance premiums or remedial services was appropriate and the Department did not include

deductions for either. And, as set forth previously herein, the group's PIL was \$567, which the Department properly deducted from the Child's total net income of \$ [REDACTED], leaving \$4,171.

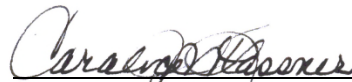
Therefore, the Department properly determined Child's monthly deductible in the amount of \$4,171 effective October 1, 2024 ongoing.

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 approved Child for MA subject to a monthly deductible of \$4,171 effective October 1, 2024.

### **DECISION AND ORDER**

Accordingly, the Department's decision is **AFFIRMED**.

CML/mp



**Caralyce M. Lassner**  
Administrative Law Judge

**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-Electronic Mail :**

**DHHS**

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**Interested Parties**

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**Via-First Class Mail :**

**Petitioner**

