



**Date Mailed:** August 20, 2025  
**Docket No.:** 25-024408  
**Case No.:** [REDACTED]  
**Petitioner:** [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

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Case No.: [REDACTED]  
Petitioner: [REDACTED]

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**ADMINISTRATIVE LAW JUDGE: Christian Gardocki**

**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 telephone hearing was held via Microsoft Teams on August 11, 2025. Petitioner participated and was unrepresented. The Michigan Department of Health and Human Services (MDHHS) was represented by Danielle Moton, specialist.

**ISSUES**

The first issue is whether MDHHS properly terminated Petitioner's Food Assistance Program (FAP) eligibility.

The second issue is whether MDHHS properly terminated Petitioner's and her former's spouse's eligibility for Medical Assistance (MA) eligibility.

**FINDINGS OF FACT**

The administrative law judge, based on the competent, material, and substantial evidence on the whole record, finds as material fact:

1. As of May 2025, Petitioner was an ongoing recipient of MA benefits along with her former spouse, [REDACTED] (hereinafter, "Ex-Spouse"). MDHHS based their MA eligibility, in part, based on ongoing self-employment income for Petitioner and Ex-Spouse.
1. On May [REDACTED] 2025, Petitioner applied for FAP benefits and reported ongoing wages for Ex-Spouse and no other household income. Petitioner also reported that she and Ex-Spouse were not pregnant, not disabled, and caretakers to two minor children.
2. On May [REDACTED] 2025, MDHHS sent Petitioner a Verification Checklist (VCL) requesting an income tax return by May 29, 2025, to verify self-employment income. MDHHS also requested pay documents to verify Ex-Spouse's wages.

3. On May █ 2025, MDHHS received Ex-Spouse's weekly pay documents and his tax form 1040.
4. On May █ 2025, 2025, MDHHS terminated Petitioner's and Ex-Spouse's Healthy Michigan Plan (HMP) eligibility under the MA program beginning July 2025 due to excess income.
5. On May █ 2025, 2025, MDHHS denied Petitioner's FAP benefit application due to a failure to verify self-employment income for herself and Ex-Spouse.
6. On June 23, 2025, Petitioner's requested a hearing to dispute the termination of MA benefits and the denial of FAP benefits.

### **CONCLUSIONS OF LAW**

The FAP [formerly known as the Food Stamp program] is funded under the federal Supplemental Nutrition Assistance Program (SNAP) established by the Food and Nutrition Act of 2008, as amended, 7 USC 2011 to 7 USC 2036d. It is implemented by the federal regulations contained in 7 CFR 273. MDHHS administers the FAP pursuant to MCL 400.10 of the Social Welfare Act, MCL 400.1 *et seq.*, and Mich Admin Code, R 400.3001 to R 400.3031. FAP policies are contained in the Bridges Administrative Manual (BAM), Bridges Eligibility Manual (BEM), and Reference Tables Manual (RFT).

Petitioner requested a hearing, in part, to dispute a denial of FAP benefits. Exhibit A, pp. 3-5. Petitioner applied for FAP benefits on May 9, 2025. Exhibit A, pp. 8-17. A Notice of Case Action dated May 30, 2025, stated that Petitioner's FAP eligibility was denied due to a failure to verify unearned income.<sup>1</sup> Exhibit A, pp. 35-39.

For all programs, MDHHS is to tell the client what verification is required, how to obtain it, and the due date. BAM 130 (May 2024) p. 3. MDHHS is to use the DHS-3503, Verification Checklist (VCL), to request verification. *Id.* MDHHS is to allow the client 10 calendar days (or other time limit specified in policy) to provide the verification that is requested. *Id.*, p. 7. For FAP benefits, MDHHS is to send a negative action notice when:

- The client indicates refusal to provide a verification, or
- The time period given has elapsed and the client has not made a reasonable effort to provide it. *Id*

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<sup>1</sup> The notice also stated that Petitioner's application was denied due to excess net and gross income. These reasons for denial were not considered because Petitioner's application reported having no household self-employment income. MDHHS acknowledged its determination of excess income counted previously reported self-employment income for Ex-Spouse and Petitioner.

MDHHS testified that it budgeted self-employment income for Petitioner and Ex-Spouse before Petitioner applied for FAP benefits.<sup>2</sup> MDHHS's testimony was not verified but will be accepted as fact. When Petitioner applied for FAP benefits on May █ 2025, the only household income reported was Ex-Spouse's wages. The reported change in stopped self-employment income triggered MDHHS mailing Petitioner a VCL on May █ 2025. Exhibit A, pp. 25-27. A stoppage in self-employment income must be verified. BEM 503 (June 2024) p. 6. The VCL requested proof of self-employment income for Petitioner and Ex-Spouse by May 29, 2025; acceptable verifications listed on the VCL included a recent tax return.

MDHHS contended that Petitioner failed to verify self-employment income for herself or Ex-Spouse which justified denial of Petitioner's FAP benefit application. In contradiction to MDHHS's contention, it acknowledged that it received Ex-Spouse's tax form 1040 on May █ 2025: two days before the VCL date. MDHHS alleged it needed additional tax documents; however the two-page tax return seemingly complied with what MDHHS requested on the VCL. At minimum, Petitioner made a reasonable effort to comply with MDHHS's verification request and did not refuse to submit verification.

Furthermore, MDHHS seemingly misunderstood that it should have requested verification of stopped self-employment income. As discussed above, Petitioner reported having no self-employment income on the application dated May █ 2025. MDHHS also documented that Petitioner reported having no household self-employment income during an interview on May █ 2025. Exhibit A, pp. 18-24. MDHHS has no known obligation to verify previously received self-employment income to determine an applicant's FAP eligibility.

It is found that Petitioner did not fail to verify self-employment income. Thus, MDHHS improperly denied Petitioner's FAP benefit application dated May █ 2025. As a remedy, Petitioner is entitled to a reprocessing of the application including an updated request for verifications if verifications are still needed.

The MA program is established by Title XIX of the Social Security Act, 42 USC 1396 to 42 USC 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 to 42 CFR 430.25. MDHHS administers the MA program pursuant to 42 CFR 435, MCL 400.10 and MCL 400.103 to MCL 400.112k of the Social Welfare Act, MCL 400.1 *et seq.* MA policies are contained in the BAM, BEM, and RFT.

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<sup>2</sup> Presumably, the income was budgeted in determining Petitioner's and Ex-Spouse's ongoing MA eligibility.

Petitioner also requested a hearing to dispute the termination of MA benefits for herself and Ex-Spouse.<sup>3</sup> Exhibit A, pp. 3-5. A Health Care Coverage Determination Notice dated May 30, 2025, stated that Petitioner and Ex-Spouse were no longer eligible for MA benefits beginning July 2025. Exhibit A, pp. 30-34.

Medicaid is also known as MA. BEM 105 (October 2023) p. 1. The MA program includes several sub-programs or categories. *Id.* To receive MA under a Supplemental Security Income (SSI)-related category, the person must be aged (65 or older), blind, disabled, entitled to Medicare or formerly blind or disabled. *Id.* Medicaid eligibility for children under 19, parents or caretakers of children, pregnant or recently pregnant women, former foster children, MOMS, MiChild and Healthy Michigan Plan is based on Modified Adjusted Gross Income (MAGI) methodology.<sup>4</sup> *Id.*

Persons may qualify under more than one MA category. *Id.*, p. 2. Federal law gives them the right to the most beneficial category. *Id.* The most beneficial category is the one that results in eligibility, the least amount of excess income or the lowest cost share. *Id.*

The evidence established that Petitioner and Ex-Spouse were each aged 21-65 years, not disabled, not pregnant, and caretakers to minor children. As caretakers to minor children, both are potentially eligible for MA under the category of Low-Income Family (LIF); the income limit for LIF is 54% of the federal poverty level (FPL). BEM 110 (April 2018) p. 1. As non-disabled persons aged 19-65 years, Petitioner and Spouse are also potentially eligible under the MA category of HMP.<sup>5</sup> The notice of MA termination stated that both were eligible due to excess income. Because HMP limits are higher than LIF (133% of the FPL), the analysis will first consider MA eligibility based on HMP.

MAGI-based income means income calculated using the same financial methodologies used to determine modified adjusted gross income as defined in section 36B(d)(2)(B) of the Code.<sup>6</sup> 42 CFR 435.603(e). For individuals who have been determined financially-eligible for Medicaid using the MAGI-based methods set forth in this section, a State may elect in its State plan to base financial eligibility either on current monthly household income and family size or income based on projected annual household income and family size for the remainder of the current calendar year. 42 CFR

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<sup>3</sup> Petitioner testified she thought that MDHHS also terminated the MA benefits issued to her children. Petitioner acknowledged that she mistakenly interpreted a denial notice for FAP benefits listing her children as a termination of their MA eligibility.

<sup>4</sup> Eligibility factors for all MA categories are found in the Bridges Eligibility Manual from BEM 105 through BEM 174.

<sup>5</sup> Eligibility factors for HMP are found in BEM 137 and federal regulations.

<sup>6</sup> Income exceptions are made for lump-sums which are counted as income only in the month received; scholarships, awards, or fellowship grants used for education purposes and not for living expenses; and various exceptions for American Indians and Alaska natives. No known exceptions are applicable to the present case.

435.603(h). MDHHS has chosen to determine HMP eligibility based on current monthly income.<sup>7</sup>

Modified adjusted gross income can be defined as a household's adjusted gross income with any tax-exempt interest income and certain deductions added back.<sup>8</sup> Common deductions and disregards which should be factored in determining a person's adjusted gross income include alimony payments, unreimbursed business expenses, Health Savings Account (e.g., 401k) payments, and student loan interest.<sup>9</sup>

Group composition for MAGI-related categories follows tax filer and tax dependent rules. BEM 211 (October 2023) p. 1. The household for a tax filer, who is not claimed as a tax dependent, consists of: the tax filer, the tax filer's spouse, and tax dependents. *Id.*, p. 2. Presumably, Petitioner and Spouse were tax filers and their two children were tax dependents. Under the circumstances, the benefit group size is four persons.

MDHHS presented no HMP budgets explaining how it calculated Petitioner's and/or Ex-Spouse's eligibility. The termination notice listed respective annual income of \$74,640 and \$6,000 for Ex-Spouse and Petitioner; presumably, MDHHS factored the combined annual income of \$80,640 in determining HMP eligibility.

MDHHS contended it properly factored Petitioner's and Ex-Spouse's previously reported self-employment income because Petitioner failed to verify its stoppage. For MA benefits, MDHHS is to send a negative action notice when:

- The client indicates refusal to provide a verification, or
- The time period given has elapsed. BAM 130 (May 2024) pp. 8-9.

As discussed in the FAP analysis, Petitioner did not fail to verify self-employment income for herself or Ex-Spouse. Thus, MDHHS improperly included self-employment income in determining HMP eligibility.

MDHHS also could not justify how it calculated \$ [REDACTED] for Ex-Spouse's wages. Pay documents for Ex-Spouse listed \$ [REDACTED] in weekly wages on April 4, April 11, and May 5, 2025.<sup>10</sup> Exhibit A, pp. 28-29. Accepting that Ex-Spouse's weekly gross wages were \$ [REDACTED] results in annual income of \$ [REDACTED]. MDHHS did not allege that self-employment income bumped Ex-Spouse's annual ages to \$ [REDACTED].

Given the evidence, MDHHS failed to establish it properly terminated Petitioner's and Ex-Spouse's HMP eligibility due to excess income. As a remedy, MDHHS will be ordered to reinstate HMP eligibility for Petitioner and Ex-Spouse beginning with the month of closure: July 2025.

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<sup>7</sup> [https://www.michigan.gov/documents/mdhhs/SPA\\_17-0100\\_Approved\\_638230\\_7.pdf](https://www.michigan.gov/documents/mdhhs/SPA_17-0100_Approved_638230_7.pdf)

<sup>8</sup> <https://www.investopedia.com/terms/a/agii.asp>

<sup>9</sup> *Id.*

<sup>10</sup> The documents also listed pay dates and amounts of \$ [REDACTED] on April 18, 2025 and \$ [REDACTED] on May 2, 2025. Granted, Ex-Spouse's annual income may not precisely be \$39,000 when factoring other pay documents, but the evidence established nowhere near the \$ [REDACTED] factored by MDHHS.

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## **DECISION AND ORDER**

The administrative law judge, based upon the above findings of fact and conclusions of law, finds that MDHHS improperly terminated Petitioner's and Ex-Spouse's MA eligibility beginning July 2025. MDHHS also improperly denied Petitioner's application for FAP benefits. It is ordered that MDHHS commence the following actions within 10 days of the date of mailing of this decision:

- (1) Reregister Petitioner's FAP application dated May █ 2025, subject to the finding that Petitioner did not fail to verify self-employment income;
- (1) Reinstate MA eligibility for Petitioner and Ex-Spouse beginning July 2025 subject to the finding that MDHHS failed to establish it properly determined Petitioner's and Ex-Spouse's eligibility based on income; and
- (2) Issue notice and supplements, if any, in accordance with policy.

The actions taken by MDHHS are **REVERSED**.



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**CHRISTIAN GARDOCKI**  
**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](http://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](mailto: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**

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**Via First Class Mail:**

**Petitioner**

[REDACTED]  
[REDACTED]  
[REDACTED]