



**Date Mailed:** October 8, 2025  
**Docket No.:** 25-027417  
**Case No.:** [REDACTED]  
**Petitioner:** [REDACTED]

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[REDACTED]  
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**Docket No.:** 25-027417

**Case No.:** [REDACTED]

**Petitioner:** [REDACTED]

### **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 September 8, 2025. Petitioner appeared for the hearing and represented herself. The Michigan Department of Health and Human Services (MDHHS or Department) was represented by Danielle Sandler, Assistance Payments Supervisor.

### **ISSUE**

Did the Department properly determine Medical Assistance (MA) benefits for Petitioner and her children?

### **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 and her three children were ongoing recipients of MA benefits under Modified Adjusted Gross Income (MAGI) related MA categories.
2. In connection with a redetermination, the household's eligibility to receive MA benefits was reviewed. (Exhibit A, pp. 17-26)
3. On or around July 18, 2025, the Department sent Petitioner a Health Care Coverage Determination Notice advising her that effective August 1, 2025, she and her three children were ineligible for MA benefits because the household income exceeded the income limit. (Exhibit A, pp. 27-33)
4. On or around July 30, 2025, Petitioner requested a hearing disputing the Department's actions with respect to the closure of MA benefits for herself and her three children. (Exhibit A, pp. 3-5)

### **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

25-027417

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.

In this case, Petitioner requested a hearing disputing the Department's determination that she and her children were ineligible for MA due to excess income. The Department representative testified that after processing Petitioner's redetermination, it determined that Petitioner's household had excess income and was no longer eligible for MA benefits under any of the MAGI-related MA categories.

MA is available (i) under SSI-related categories to individuals who are aged (65 or older), blind or disabled, (ii) to individuals who are under age 19, parents or caretakers of children, or pregnant or recently pregnant women, (iii) to individuals who meet the eligibility criteria for Healthy Michigan Plan (HMP) coverage, and (iv) to individuals who meet the eligibility criteria for Plan First Medicaid (PF-MA) coverage. 42 CFR 435.911; 42 CFR 435.100 to 435.172; BEM 105 (October 2023), p. 1; BEM 137 (June 2020), p. 1; BEM 124 (July 2023), p. 1. Under federal law, an individual eligible under more than one MA category must have eligibility determined for the category selected and is entitled to the most beneficial coverage available, which is the one that results in eligibility and the least amount of excess income or the lowest cost share. BEM 105, p. 2; 42 CFR 435.404.

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.

Because Petitioner is under age 65 and does not qualify for Medicare, she is potentially eligible for full coverage MA under the HMP, which is the MAGI category for adults with the highest income limit. 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). Petitioner files a joint tax return with her husband and they claim three children as tax dependents. Thus, for HMP purposes, Petitioner has a household size of five. The FPL for a group size of five in 2025, is

25-027417

██████████ 133% of the annual FPL in 2025, for a household with five members is ██████████. See <https://aspe.hhs.gov/poverty-guidelines>. Therefore, to be income eligible for HMP, Petitioner's annual income cannot exceed ██████████ and thus, the monthly income cannot exceed ██████████. 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 ██████████ or ██████████ monthly.

Children over age one and under age 19 are potentially eligible for three programs: (1) the Under Age 19 (U19) program; (2) the MiChild program; and (3) the Group 2 Under 21 (G2U) program. BEM 105 (January 2024), pp. 1, 3-4; BEM 130 (January 2024), p. 1; BEM 131 (January 2022), p. 1; BEM 132 (April 2018), p. 1. The U19 and MiChild programs are Modified Adjusted Gross Income (MAGI)-related Group 1 MA categories, meaning that these categories provide full-coverage MA without a deductible for children under the age of 19 whose household's income, calculated in accordance with MAGI rules, meets the income eligibility limits. BEM 131, p. 1. Children whose household income exceeds the income limit for U19 or MiChild eligibility are eligible for MA under the G2U category, with a deductible equal to the amount the child's net income (countable income minus allowable income deductions) which exceeds the applicable Group 2 MA protected income level (PIL) 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; RFT 240 (December 2013), p. 1. Under federal law, the child is entitled to the most beneficial category, which is the one that results in eligibility, the least amount of excess income, or the lowest cost share. BEM 105, p. 2.

Eligibility for U19 categories is for children under the age of 19 whose household income does not exceed 160% of the federal poverty level and consists of (1) the Low Income Families (LIF) program (when the household's income does not exceed 54% of FPL); (2) the Other Healthy Kids (OHK) program (for children ages 1 through 5 when the household's income is more than 54% and less than 144% of the FPL or, if the child has other comprehensive insurance, from 144% up to 160% of the FPL and for children ages 6 through 18, when the household's income is more than 54% and less than 110% of the FPL or, if the child has other comprehensive insurance, from 110% to 160% of the FPL ); and (3) the Healthy Kids Expansion (HKE) program (for children ages 1 through 5 with no other comprehensive insurance when the household's income is from 144% to 160% of the FPL and for children ages 6 through 18 with no other comprehensive insurance when the household's income is from 110% to 160% of the FPL). BEM 131, p. 1. A child under age 1 with household income between 196% to 212% of the FPL or age 1 through 18 whose household income is between 161% and 212% of the FPL is income eligible for MiChild subject to a monthly \$10 premium per family. BEM 130 (July 2016), pp. 1-2. Additionally, 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.

The income limit for the MiChild program is higher than the other children's MA programs, and thus, will be identified below. In order to determine income eligibility for the MAGI-related MiChild program, the household's MAGI income must be considered. In this case, the children have a household size of five. See 42 CFR 435.603; BEM 211 (October 2023), pp. 1-2. The FPL for a group size of five in 2025 is [REDACTED] 212% of the annual FPL in 2025, for a household with five members is [REDACTED]. See <https://aspe.hhs.gov/poverty-guidelines>. Therefore, to be income eligible for MiChild, the annual income cannot exceed [REDACTED] and thus, the monthly income cannot exceed [REDACTED] as Child IB was a current MA beneficiary. 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.

At the hearing, the Department representative testified that the household income was [REDACTED] and was based on [REDACTED] in employment income for Petitioner and [REDACTED] in self-employment income for Petitioner's husband. Specifically, the Department testified that for Petitioner's husband, it relied on line 31 on the Schedule C from the tax return and determined that when taken monthly and based on the net profits/loss identified of [REDACTED] Petitioner's husband had monthly self-employment income of [REDACTED]. Petitioner did not dispute that the Schedule C identified income for her husband in the amount relied upon by the Department but testified that he is no longer receiving that income as of August 2025. There was no evidence that this loss of employment was reported to the Department prior to the redetermination and thus, it was properly included as income.

With respect to Petitioner's income, the Department testified that Petitioner is employed as a child care provider and her income was verified using the consolidated inquiry. The Department failed to present the consolidated inquiry for review during the hearing but testified that Petitioner was paid [REDACTED] on June 11, 2025, [REDACTED] on June 25, 2025, and [REDACTED] on July 9, 2025. The Department did not identify the exact pay dates and amounts considered and thus, it was unknown how the Department came to the [REDACTED] monthly income determination for Petitioner.

Petitioner disputed the Department's income determination. While Petitioner did not dispute that she receives child care payments from the Department on behalf of children in her care, Petitioner testified that she is self-employed as a child care provider and is the owner of an in-home child care home. Petitioner testified that she files a Schedule C for her business and that she provided this information to the Department for consideration. Petitioner testified that the income received from the Department for child care payments are deposited into her business bank account. Upon further inquiry, Petitioner testified that her child care business is a Limited Liability Company (LLC), and she pays herself a monthly wage of [REDACTED] from the business.

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 and include federal tax forms and schedules, which are allowable for MA determinations. BEM 501, p. 12. 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 and include federal income tax forms and schedules. BEM 502, pp. 7-9.

Based on the evidence presented at the hearing, the Department should have determined the household income for MAGI-related MA purposes using the income information on Petitioner's federal income tax forms and the accompanying schedules which are used to verify both wages from an LLC and self-employment income. Because the Department considered the gross income from child care payments to Petitioner as identified on the consolidated inquiry, the Department did not properly calculate the household MAGI. As such, the Department failed to show that Petitioner and her children had excess income and were ineligible for MA under the full coverage MAGI-related categories.

### **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 processed MA eligibility for Petitioner and her three children.

Accordingly, the Department's decision is **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. Redetermine Petitioner and her three children's MA eligibility under the most beneficial category for August 1, 2025, ongoing;
2. Provide MA coverage to Petitioner and her three children under the most beneficial categories that they were entitled to receive but did not from August 1, 2025, ongoing; and
3. Notify Petitioner in writing of its decision.



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**ZAINAB A BAYDOUN**  
**ADMINISTRATIVE LAW JUDGE**

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25-027417

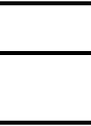
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**APPEAL RIGHTS:** Petitioner may appeal this Hearing Decision to the circuit court. Rules for appeals to the circuit court can be found in the Michigan Court Rules (MCR), including MCR 7.101 to MCR 7.123, available at the Michigan Courts website at [courts.michigan.gov](https://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:**

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**Via First Class Mail:**

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