

ISSUE

Did MDHHS properly determine Petitioner's unearned income in determining her Food Assistance Program (FAP) eligibility?

FINDINGS OF FACT

The undersigned, based upon the competent, material, and substantial evidence on the whole record, finds as material fact:

1. On January 22, 2026, a hearing was held concerning Petitioner's FAP benefits under MOAHR docket no. 25-047738.
2. On January 27, 2026, the ALJ issued a Hearing Decision in the matter.
3. The Findings of Fact from the Hearing Decision, as well as additional findings of fact, based on competent, material, and substantial evidence on the whole record, are as follows:
 1. On **REDACTED**, 2025, Petitioner applied for FAP benefits for a household that included Petitioner and Petitioner's adopted son, a minor (Son).
 2. As of October 2024, Petitioner received **\$REDACTED** in gross monthly adoption subsidy for Son from the State of California.
 3. The adoption subsidy included a Specialized Care Increment (SCI) rate in addition to the Adoption Assistance Program (AAP) rate.
 4. On November 21, 2025, MDHHS sent Petitioner a Notice of Case Action notifying her that, based on a FAP budget that included her full **\$REDACTED** adoption subsidy payment as monthly unearned income, she was eligible for \$0 in FAP benefits for October 2025 and \$24 in monthly FAP benefits beginning November 2025.
 5. On December 19, 2025, Petitioner requested a hearing to dispute MDHHS's counting Petitioner's adoption subsidy payment in full in determining Petitioner's FAP eligibility.
4. On February 24, 2026, MOAHR received Petitioner's timely request for reconsideration, which is granted herein.

CONCLUSIONS OF LAW

MDHHS policies are contained in the Department of Health and Human Services Bridges Administrative Manual (BAM), Bridges Eligibility Manual (BEM), Reference Tables Manual (RFT), and 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, *et seq.*, and is implemented, in relevant part, by the federal regulations contained in 7 CFR 273.

MDHHS (formerly known as the Family Independence Agency) administers 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 400.3011.

At issue in this case is whether the full **\$REDACTED** adoption subsidy Petitioner receives on behalf of Son is countable unearned income to the household for FAP purposes.

Under 7 CFR 273.9, adoption subsidy payments are countable income for FAP purposes. 7 CFR 273.9(c)(19)(iii). Payments for medical assistance are not countable for FAP purposes only when made directly to a third party for medical expenses. See 7 CFR 273.9(b)(2); 7 CFR 273.9(c). Consistent with the federal regulations, MDHHS policy provides that an adoption support subsidy, a payment for ongoing care and support of an adopted child, is countable income. BEM 503 (October 2025), p. 3. In contrast, a medical subsidy, a payment for medical expenses due to a physical, mental or emotional condition of the child, is a reimbursement and is excluded as income. BEM 503, p. 3.

Both federal and Michigan law and policy define a medical subsidy as a “reimbursement.” Michigan law provides that, after all other available public money and third-party payments have been exhausted, MDHHS pays a medical subsidy for qualified adopted children directly to the service provider or to the adoptive parent as reimbursement for medical services and treatment to the child; such payments are not paid to an adoptive parent for treatment or services provided to their own adopted child. MCL 400.115h(1), (2) and (3). A medical subsidy reimburses parents only for their out-of-pocket expenses for the treatment of physical, mental or emotional conditions that MDHHS has certified as pre-existing the adoption. Social Security Administration Program Operations Manual System (POMS), SI CHI003830.416 available at SSA - POMS: SI CHI00830.416 - (MI) Michigan Adoption Subsidies (RTN 377 -- 10/2005) - 10/05/2022 (accessed February 26, 2026). Further, before a medical subsidy is authorized, the parent must usually secure prior approval, and if a child is eligible for an adoption medical subsidy payment of medical expenses, the medical provider can bill MDHHS directly or the parent can request reimbursement of eligible out-of-pocket expenses. See MDHHS Adoption Assistance Manual (AAM) 640 (December 2024), p. 2.

Petitioner contends that the portion of the adoption subsidy payment she receives on Son’s behalf at the SCI rate is specifically intended to cover expenses for Son due to his medical and behavioral needs and therefore qualifies as a medical subsidy that should be excluded from income for FAP purposes. Petitioner’s argument is misplaced. Medical subsidies are limited to eligible payments made directly to the medical provider or reimbursement to the adoptive parent for authorized, documented medical expenses actually incurred. In contrast, the SCI portion of Petitioner’s adoption subsidy is intended to offset potential additional expenses Petitioner may incur due to Son’s behavioral and medical issues. It is not tied to any specific medical service, expense, or reimbursement request. Because SCI payments are tied to expected higher care needs care costs rather than reimbursement for any actual medical expenses incurred, they do not qualify as a medical subsidy. Therefore, Petitioner’s full **\$REDACTED** adoption subsidy, including the SCI component, is countable income for the household for FAP purposes.

Relying on 42 USC section 673a, which requires states to treat the adopted child's interests in reasonably and equitably when the family moves to another state, Petitioner contends that Michigan is obligated to comply with California's classification of the adoption subsidy payment. However, Petitioner has failed to identify any provision in California state law or policy of the California Department of Social Services (CDSS) to support her claim that California treated the SCI as not countable income for purposes of determining eligibility for CalFresh, the California program name for food assistance benefits. In fact, contrary to Petitioner's position, CDSS Manual of Policies and Procedures (MPP) broadly defines income to include all income from any source unless expressly excluded.¹ The only excluded adoption subsidy payments are those expressly earmarked for reimbursement of medical expenses.² CDSS policy defines SCI as "the supplemental payment added to the foster care basic rate for children with health and/or behavioral problems,"³ not as a reimbursement for incurred medical expenses.

Here, Petitioner acknowledges that the SCI portion of the adoption subsidy payment she receives is paid directly to her on Son's behalf. Although SCI is intended to help caregivers manage a child's increased medical, behavioral and developmental needs, it is not paid directly to healthcare providers or tied to reimbursement for any specific, identified medical expenses incurred for Son. Accordingly, it is not excluded as income under CalFresh. The fact that **REDACTED** may set a different SCI rate than other California counties does not alter the conclusion that the SCI rate paid as part of the adoption assistance payment is not a medical subsidy and, as a result, not excluded income for FAP purposes.

DECISION AND ORDER

Based on the above Findings of Fact and Conclusions of Law, the undersigned finds that that MDHHS properly included the entire adoption subsidy payment made to Petitioner as unearned income in determining her FAP eligibility.

Accordingly, the January 27, 2026 Hearing Decision is **AFFIRMED**.

¹ MPP 63-502.111 available at <https://www.cdss.ca.gov/inforesources/letters-regulations/legislation-and-regulations/calworks-calfresh-regulations/calfresh-regulations> (accessed March 26, 2026).

² See CalFresh Handbook available at https://stgenssa.sccgov.org/debs/program_handbooks/calfresh/assets/CalFresh/Income_Definitions_and_Exemptions/Exempt.htm (accessed March 26, 2026).

³ See <https://www.cdss.ca.gov/inforesources/foster-care/specialized-care> (accessed March 26, 2026)