

## ISSUE

Did the Department properly determine Petitioner's and his family's Medicaid (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. On REDACTED 2025, the Department received a completed application for MA from Petitioner for himself, his wife REDACTED (Spouse), and their REDACTED-year-old daughter REDACTED (Daughter) and REDACTED-year-old son REDACTED (Son). Petitioner reported that:
  - a. He and Spouse were under 64 years old, were joint tax filers, and claimed three dependents, including Daughter and Son;
  - b. He was employed 40 hours per week, earned REDACTED per hour, and was paid weekly;
  - c. Daughter was employed 20 hours per week, earned REDACTED per hour, and was paid bi-weekly;
  - d. No one in the household is disabled; and
  - e. Neither Spouse nor Daughter are pregnant.

(Exhibit A, pp. 6 – 15).

2. Daughter turned REDACTED in 2025, is a full-time student, and is not married. (Exhibit A, pp. 8, 10).
3. On January 5, 2026, the Department sent Petitioner a Health Care Coverage Determination Notice (HCCDN) that approved him and Spouse each for Plan First Family Planning (PF) MA effective December 1, 2025. The HCCDN did not approve or deny Petitioner, Spouse, or any other family member for MA. (Exhibit A, pp. 16 – 17).
4. On January 12, 2026, the Department received a request for hearing from Petitioner, disputing the Department's denial of each family member for full coverage MA and the Department's determination of the household's annual income. (Exhibit A, pp. 3 – 5).
5. On January 21, 2026, the Department sent Petitioner a HCCDN that approved Daughter for PF MA effective December 1, 2025, and MA subject to a monthly deductible of \$2,113, effective March 1, 2026. The HCCDN did not approve or deny Daughter or any other family member for MA. (Exhibit A, pp. 19 – 20).

6. On January 22, 2026, the Department sent Petitioner a HCCDN that approved him and Spouse each for MA subject to a monthly deductible of \$1,239 for December 2025, and \$1,262 effective January 1, 2026. The HCCDN did not approve or deny Petitioner, Spouse, or any other family member for MA. (Exhibit A, pp. 25 – 26).

### **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.

In this case, Petitioner initially requested a hearing to dispute the Department's denial of each family member for full coverage MA and the Department's determination of the household's annual income. At the onset of the hearing, Petitioner testified that his dispute was regarding MA coverage for himself, Spouse, and Daughter only. The Department initially approved Petitioner and Spouse for PF MA only and subsequently approved Petitioner and Spouse each for MA subject to a monthly deductible. The Department also subsequently approved Daughter for PF and MA subject to a monthly deductible, with different effective dates.

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. All MA category options must be considered in order for the client's right of choice to be meaningful. BEM 105, p. 2. MA is available:

- a. Under SSI-related categories to individuals who are aged (65 or older), blind, or disabled,
- a. To individuals who are under age 19, parents or caretakers of children, or pregnant or recently pregnant women, and
- b. To individuals who meet the eligibility criteria for Healthy Michigan Plan (HMP) coverage.

42 CFR 435.911; 42 CFR 435.100 to 435.172; BEM 105, p. 1; BEM 137 (January 2024), p. 1; BEM 124 (July 2023), p. 1.

HMP is a Modified Adjusted Gross Income (MAGI)-related MA program that provides full coverage MA. Individuals who do not qualify for HMP MA and who are not aged (65 or older), blind, or disabled, may qualify for limited coverage non-MAGI MA programs including Group 2 Caretaker Relative (G2C) or Group 2 Under 21 (G2U). BEM 105, pp. 4 – 5; BEM 132 (April 2018), p. 1; BEM 135 (October 2015), p. 1.

G2C is not SSI-related or MAGI-related MA and is a program for parents and other caretaker relatives of dependent children, subject to a monthly deductible when the client has excess income. BEM 135, p. 1 – 2. G2U is also not SSI-related or MAGI-related MA and is a program for individuals under age 21. BEM 132, p. 1.

Individuals who do not qualify for one of the foregoing coverages may qualify for PF, which is a MAGI-related limited coverage MA category; however, a client may also be approved for PF in conjunction with other MA coverage. BEM 124, p. 1.

Although Petitioner and Spouse may qualify for coverage under HMP, G2C, and/or PF, and Daughter may qualify for coverage under HMP, G2U, and/or PF, because HMP offers full MA coverage and does not have a deductible, it is a more beneficial coverage for each of them than the others.

#### **Petitioner, Spouse, and Daughter – HMP MA**

To qualify for health care coverage under HMP, the individual must:

- be 19 – 64 years of age,
- not qualify for or be enrolled in Medicare,
- not qualify for or be enrolled in other Medicaid programs,
- not be pregnant at the time of application,
- meet Michigan residency requirements,
- meet Medicaid citizenship requirements, and
- have income at or below 133% of the Federal Poverty Level (FPL) for their group size.

BEM 137, p. 1.

Additionally, for MAGI-related plans, a 5% disregard is available, to make those individuals eligible who would otherwise not be eligible, which 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). An individual's group size for MAGI purposes requires consideration of the client's tax filing status, and group composition for MAGI-related categories follows tax filer and tax dependent rules. BEM 211 (December 2025), p. 1. Because Petitioner and Spouse are married, file taxes, and claim three dependents, for purposes of HMP, they each have a fiscal group size of five. BEM 211, pp. 1 – 2. Because Daughter is unmarried, Petitioner and Spouse are her parents, and she is their tax dependent, for purposes of HMP, her fiscal group is the same as theirs. BEM 211, pp. 1 – 3.

In 2025, the FPL for a fiscal group of five was \$37,650, and 5% of that was \$1,883. 90 FR 5917 (January 2025), No. 2025-01377, pp. 5917-5918. Based on the FPL, the HMP income limit for a fiscal group of five was \$50,074.50 annually, or \$4,172.88 per month. When the 5% disregard was added to the HMP income limit, the total income limit for HMP was \$51,957, or \$4,329.75 per month.

Beginning in January 2026, the FPL for a fiscal group of five increased to \$38,680, and 5% of that is \$1,934. 2026-00755 (91 FR 1797) (eff. January 13, 2026). Based on the 2026 FPL, the HMP income limit for a fiscal group of five is \$51,444.40 annually, or \$4,287.03 per month. With the 5% disregard, the HMP income limit is increased to \$53,378.40 annually, or \$4,448.20 per month.

To determine an individual's MAGI-income, the Department must calculate the countable income of the fiscal group in accordance with MAGI under federal tax law. 42 CFR 435.603(e); BEM 500, pp. 1, 3 – 4. MAGI is based on Internal Revenue 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/>.

Here, the Department introduced:

- a. A MAGI determination document that reflected that the Department budgeted REDACTED per month in MAGI-related income for Petitioner and REDACTED per month in MAGI-related income for Daughter (Exhibit A, p. 31);
- b. An employment budget summary that reflected that the Department budgeted different, lesser amounts for Petitioner's and Daughter's income for MA (Exhibit A, pp. 32 – 33);
- c. An income record for Petitioner from his employer (Exhibit A, p. 34); and
- d. A Work Number report for Daughter's employment (Exhibit A, p. 37).

However, neither the MAGI determination document nor the employment budget summary were consistent with the income records for Petitioner or Daughter, and the Department was unable to clearly explain the discrepancies. Additionally, although Petitioner reported that he earned approximately REDACTED per month and that Daughter earned approximately REDACTED per month, there was no evidence that the

Department gave him an opportunity to resolve the discrepancy between his statements and the income records used by the Department. BAM 130 (May 2024), p. 9. Therefore, the Department did not meet its burden of establishing that Petitioner, Spouse, and Daughter each had income in excess of the limit for HMP MA.

### **Petitioner and Spouse – G2C, and Daughter – G2U**

As discussed previously, G2C and G2U are not SSI-related or MAGI-related MA coverages and eligible individuals with excess income under either program may be eligible for MA coverage subject to a monthly deductible. The monthly deductible for each individual is determined based on that individual's countable income, allowable income deductions, and fiscal group size, among other things. BEM 132, p. 1; BEM 135, p. 1; BEM 211, pp. 4, 8 – 9; BEM 530 (April 2020), pp. 1 – 4; BEM 536 (July 2019), pp. 1 – 7; BEM 544 (January 2020), pp. 1 – 4; BEM 545 (July 2022).

For Group 2 MA coverage, fiscal group composition must be determined separately for each person. BEM 211, pp. 5, 8. For purposes of G2C and G2U, an adult is an individual who is married or age 18 or older, while a child is an unmarried person under age 18. BEM 211, pp. 5, 8. For purposes of Group 2 MA, the only income that may be considered when determining an adult individual's eligibility is the individual's own income and, if they are married and live together, their spouse's income. BEM 211, pp. 8 – 9.

Here, the Department did not introduce budgets or explain how it determined Petitioner's, Spouse's, or Daughter's countable income, allowable income deductions, or fiscal group size for purposes of Group 2 MA coverage. Thus, the Department failed to establish that it properly determined Petitioner's or Spouse's G2C monthly deductibles, or Daughter's G2U monthly deductible. Therefore, the Department did not meet its burden of establishing that it acted in accordance with policy when it determined Petitioner's or Spouse's eligibility for G2C MA, or Daughter's eligibility for G2U MA.

### **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 failed to satisfy its burden of showing that it acted in accordance with Department policy when it determined Petitioner's, Spouse's, and Daughter's MA eligibility.

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's, Spouse's, and Daughter's individual eligibility for MA effective December 1, 2025, in accordance with policy and requesting additional verifications if necessary;

2. If eligible, provide Petitioner, Spouse, and Daughter with the most beneficial MA coverage they are each eligible to receive effective December 1, 2025; and
3. Notify Petitioner of its decision in writing.