

ISSUE

Did the Department properly determine Petitioner's Food Assistance Program (FAP) benefit amount effective February 1, 2026?

Did the Department properly determine Petitioner'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. Petitioner is an ongoing recipient of FAP benefits. His current certification period is May 1, 2025 to April 30, 2027. (Exhibit A, p. 58).
2. Petitioner is a single individual who resides in REDACTED and receives Retirement, Survivors, and Disability Insurance (RSDI) income. Petitioner has a housing expense and pays his own heat and other utilities. Petitioner has Medicare Part B and the Department pays his premium.
3. On November 11, 2025, the Department sent Petitioner a Notice of Case Action (NOCA) that decreased his FAP benefit amount to \$241 per month effective December 1, 2025, for a one-person FAP group. The NOCA indicated that Petitioner's benefit amount was based, in part, on REDACTED in unearned income, a medical expense deduction of \$237, and a housing expense of \$575. (Exhibit A, pp. 13 – 14).
4. On December 6, 2025, the Department sent Petitioner a Notice of Case Action (NOCA) that decreased his FAP benefit amount to \$224 per month effective January 1, 2026. The NOCA indicated that there was no change in Petitioner's medical expense deduction or his housing expense, but his unearned income increased to REDACTED. (Exhibit A, pp. 9 – 10).
5. On December 9, 2025, the Department sent Petitioner a NOCA that increased his FAP benefit amount to \$298 per month effective January 1, 2026. The NOCA indicated that there was no change in Petitioner's unearned income or housing expense, but reflected an increased medical expense deduction of \$814. (Exhibit A, pp. 7 – 8).
6. On December 17, 2025, the Department received verification from Petitioner that effective January 1, 2026, his housing expense increased to \$600 per month. (Exhibit A, pp. 38 – 42).
7. On January 14, 2026, the Department sent Petitioner a NOCA that decreased his FAP benefit amount to \$224 per month effective February 1, 2026. The NOCA reflected no change in Petitioner's unearned income or housing expense, but reflected a decreased medical expense deduction of \$237. (Exhibit A, pp. 11 – 12).

8. On January 14, 2026, the Department sent Petitioner a Health Care Coverage Determination Notice (HCCDN) that denied him full coverage MA effective February 1, 2026. The HCCDN did not approve or deny Petitioner for any other coverage. (Exhibit A, pp. 50 – 51).
9. On February 20, 2026, the Department received a request for hearing from Petitioner, disputing the amount of his monthly FAP benefit and that the Department did not approve him for full coverage MA. (Exhibit A, pp. 3 – 16).

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 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 to 2036a and is implemented by the federal regulations contained in 7 CFR 273. The Department (formerly known as the Department of Human Services) administers FAP pursuant to MCL 400.10, the Social Welfare Act, MCL 400.1-.119b, and Mich Admin Code, R 400.3001-.3011.

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 to dispute his monthly FAP benefit amount and that he was not eligible for full coverage MA. As related to Petitioner's request for hearing, the Department approved Petitioner for FAP benefits of \$298 per month effective January 1, 2026, and decreased Petitioner's FAP benefit to \$224 per month effective February 1, 2026. The Department sent Petitioner a HCCDN that denied him MA effective February 1, 2026. However, the Department testified that Petitioner was approved for Group 2 Aged, Blind and Disabled (G2S) MA subject to a monthly deductible of REDACTED effective January 1, 2026, and had been approved for MA subject to a monthly deductible throughout 2025.

FAP

As a preliminary matter, Petitioner expressed that one of his disputes was that the Department regularly changes the amount of his FAP benefits. Clients may contest a decision by the Department when they believe the decision is incorrect. BAM 600 (July 2025), p. 1. A request for hearing must be received in the Department's local office within

90 calendar days of the date of the written notice of case action. BAM 600 (July 2025), pp. 6 – 7.

The record established that within the 90 days prior to his request for hearing, the Department initially approved Petitioner for FAP benefits of \$224 for January 2026, but subsequently approved Petitioner for the maximum monthly FAP benefit amount of \$298 for his one-person FAP group for January 2026. RFT 260 (October 2025), p. 1. The record further established that the Department then reduced Petitioner's FAP benefit amount to \$224 per month effective February 1, 2026. Because there was no dispute that Petitioner received the maximum FAP benefit amount for January 2026, the undersigned will address only whether the Department properly determined Petitioner's FAP benefit amount effective February 1, 2026.

A determination of whether the Department properly calculated Petitioner's FAP benefit amount begins with the client's countable earned and unearned income. BEM 500 (January 2026), pp. 1 – 5. The Department counts the gross benefit amount of RSDI as unearned income. BEM 503 (October 2025), pp. 31 – 33. There was no dispute that at all times relevant to this matter, Petitioner received REDACTED per month in RSDI and has no other income.

After countable income is calculated, the Department must determine which deductions are available to Petitioner. There was no dispute that Petitioner is disabled. Therefore, he is considered a senior/disabled/veteran (SDV) household. BEM 550 (April 2025), pp. 1 – 2. Households with SDV members and unearned income may be eligible for the following deductions only:

- Standard deduction based on group size.
- Dependent care expense.
- Medical expense deduction for medical expenses of the SDV member in excess of \$35.
- Court ordered child support and arrearages paid to non-household members.
- Excess shelter deduction.

BEM 554 (January 2026) p. 1; BEM 556 (November 2025) pp. 4 – 6; RFT 255 (October 2025). An SDV group that has a verified one-time or ongoing medical expenses of more than \$35 for the SDV member will receive a standard medical deduction (SMD) of \$165. BEM 554, p. 10. However, if the SDV member has actual medical expenses which are more than the SMD, they have the option to verify their actual expenses instead of receiving the SMD. BEM 554, pp. 9 – 14.

The Department introduced a budget to show how it determined Petitioner's FAP benefit amount effective February 1, 2026. (Exhibit A, pp. 58, 61). Effective October 1, 2025, the standard deduction for a one-person FAP group, such as Petitioner's, is \$209. RFT 255. There was no evidence that Petitioner has any child support obligations or dependent care expenses and the Department properly budgeted \$0 for each of those potential deductions.

The record established that Petitioner had a 24-month benefit period and had incurred and verified one or more one-time medical expenses in excess of \$35 during the benefit period. Although the Department's budget reflected an ongoing medical expense deduction of \$237, the Department was unable to explain how that amount was determined. Additionally, the evidence established that the Department previously budgeted a \$814 medical expense deduction in Petitioner's case for January 2026; however, there was no evidence that it gave him an option to elect how any one-time medical bills were budgeted in his case. BEM 554, pp. 10 – 11.

In addition to the foregoing, the record established that on December 17, 2025, the Department received verification that Petitioner's housing expense increased to \$600 effective January 1, 2026. There was no evidence that the Department processed Petitioner's reported change in accordance with policy. BAM 220 (October 2025), pp. 6, 8 – 9. Because Petitioner's net income is determined, in part, based on an excess shelter deduction, if any, the Department did not establish that it properly determined Petitioner's net income.

Therefore, based on the foregoing, the Department failed to establish that it acted in accordance with policy when it determined Petitioner's monthly FAP benefit amount effective February 1, 2026.

MA

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. 3. All MA category options must be considered in order for the Petitioner's right of choice to be meaningful. BEM 105, p. 3. 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. Individuals who do not qualify for one of the foregoing coverages may qualify for PF, which is a Modified Adjusted Gross Income (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. Because Petitioner is disabled, has Medicare, and is not the caretaker of a minor child, Petitioner is eligible for MA under only SSI-related categories.

Based on Petitioner's circumstances, he was potentially eligible for AD-Care MA. The AD-Care program is a Group 1, full-coverage, SSI-related MA program for individuals who

are income-eligible based on their MA fiscal group size. BEM 163 (July 2017), p. 1. Net income for this program cannot exceed 100% of the Federal Poverty Level (FPL) for the fiscal group size. BEM 163, p. 1. For SSI-related MA purposes, adults who are not married, such as Petitioner, are a fiscal group size of one. BEM 211 (December 2025), p. 8. Because Petitioner is a fiscal group of one, to be income eligible for this program in 2026, his monthly income would have to be \$1,330 or less. RFT 242 (April 2026); 2026-00755 (91 FR 1797) (eff. January 13, 2026). However, federal law requires that when the Department determines a client's MA eligibility for the coverage months of January, February, or March of a new year, it must disregard any COLA increase that began that year. BEM 503, pp. 30 – 31.

There was no dispute that Petitioner received a \$39 COLA increase effective January 1, 2026, which increased his RSDI income to REDACTED per month. The gross benefit amount of RSDI income is counted as unearned income but, for purposes of SSI-related MA, is reduced by \$20 to determine the net unearned income. BEM 163, p. 2; BEM 503 (October 2025), pp. 31 – 33; BEM 541 (January 2026), p. 3. Petitioner's gross RSDI income of REDACTED, reduced by \$20, equals REDACTED in net unearned income. Petitioner, who does not have earned income, expenses related to non-SSI children, or a court-appointed guardian and/or conservator, is not eligible for any additional deductions. BEM 541, pp. 1, 3.

Therefore, Petitioner's countable net income was REDACTED. Because this amount exceeds the \$1,330 income limit for AD-Care MA, the Department properly determined that Petitioner was not eligible for AD-Care MA. Additionally, the record established that disregarding Petitioner's \$39 COLA increase, as required by federal law, would not render him eligible for AD-Care MA for the months of January, February, or March 2026.

Clients who are ineligible for full-coverage MA coverage because of excess income may still be eligible for G2S MA, an SSI-related MA program which provides for MA coverage with a monthly deductible. BEM 105, p. 1; BEM 166 (April 2017), p. 2. The deductible for G2S MA is equal to:

- a. The amount of the individual's SSI-related net income,
- a. Minus allowable needs deductions set forth in BEM 544, and
- b. Minus the applicable Group 2 MA protected income level (PIL).

BEM 166, p. 2; BEM 541, pp. 1, 3 – 4; BEM 544 (January 2020), pp. 1 – 2. The PIL is a set allowance for non-medical need items such as shelter, food, and incidental expenses, based on the county in which the client resides and the client's fiscal MA group size. BEM 544, p. 1. The PIL for Wayne County, where Petitioner resides, is \$375 for a one-person fiscal group. RFT 200 (April 2017), p. 2; RFT 240 (December 2013).

The Department presented a budget showing how Petitioner's G2S deductible was calculated effective February 1, 2026. (Exhibit A, p. 60). From Petitioner's net income of REDACTED, as discussed above, the Department subtracts allowable needs deductions,

consisting of health insurance premiums of the MA recipient and remedial services for residents of adult foster care (AFC) or homes for the aged (HA). BEM 544, pp. 1 – 2. There was no dispute that the Department pays Petitioner's Medicare Part B premium. Petitioner testified that he does not live in AFC or HA and there was no evidence that he pays any additional health insurance premiums. Thus, Petitioner was not entitled to any needs deductions and his income remained REDACTED.

The Department's budget reflected that it then deducted \$39 for Petitioner's COLA exclusion, which reduced his countable income to REDACTED. The Department then deducted Petitioner's \$375 PIL from his REDACTED countable income, which left REDACTED. This amount becomes the deductible amount. Therefore, the Department properly determined Petitioner's monthly deductible in the amount of REDACTED. However, there was no evidence that the Department sent Petitioner an appropriate HCCDN that informed him that he was approved for MA subject to a monthly deductible and the effective date of such coverage. BAM 220, p. 1.

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 a) satisfy its burden of showing that it acted in accordance with Department policy when it determined Petitioner's monthly FAP benefit, or b) establish that it issued an appropriate notice regarding Petitioner's MA eligibility in accordance with policy.

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 FAP benefit eligibility effective February 1, 2026;
1. If Petitioner is eligible for additional FAP benefits, issue supplemental payments to Petitioner for any FAP benefits he was eligible to receive but did not, from February 1, 2026;
2. Issue appropriate notice to Petitioner regarding his MA eligibility; and
3. Notify Petitioner of its decision in writing.