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DEPARTMENT OF HUMAN SERVICES
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GREGORY WOODS
Assistant Commissioner

STATE OF NEW JERSEY
DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE
AND HEALTH SERVICES

R.C.,

PETITIONER,

ADMINISTRATIVE ACTION

v.

FINAL AGENCY DECISION

DIVISION OF MEDICAL ASSISTANCE :

OAL DKT. NO. HMA 11464-24

AND HEALTH SERVICES AND :

ATLANTIC COUNTY DEPARTMENT :

OF FAMILY AND COMMUNITY :

DEVELOPMENT, :

RESPONDENTS. :

As Assistant Commissioner for the Division of Medical Assistance and Health Services (DMAHS), I have reviewed the record in this case, including the OAL case file, the documents in evidence, and the Initial Decision in this matter. The Respondent filed exceptions. Procedurally, the time period for the Agency Head to render a Final Agency Decision is March 20, 2025.

This matter arises from the Atlantic County Department of Family Services' (Atlantic County) July 31, 2025, termination of Petitioner's Medicaid benefits for being over-income. The issue presented here is whether Atlantic County correctly terminated Petitioner's Medicaid benefits under Medicaid regulations.

In New Jersey, the Medicaid program is administered by DMAHS pursuant to the New Jersey Medical Assistance and Health Services Act, N.J.S.A. 30:4D-1 to -19.5. Through its regulations, DMAHS establishes "policy and procedures for the application process" N.J.A.C.10:71-2.2 9b. To be financially eligible, the applicant must meet income and resource standards. Income eligibility is based on an examination of all earned and unearned income that has or will be received during the month for which the application is made, beginning with the first day of such month. The local county welfare agencies (CWA) evaluate Medicaid eligibility. N.J.S.A. 30:4D-7a; N.J.A.C.10:71-1.5, 2.2 (c).

The New Jersey Family Care program income limit is 133% of the poverty level, or \$3,588 per month for a household of four (R-1, p.2.). Petitioner's Gross Income was stated to be \$4,747 per month, which is above the program limit.

The facts are as follows. On March 23, 2024, the petitioner applied for NJFC for an Assistance Unit (AU) of four persons: petitioner, their spouse, B.C. and two minor children. ID at 2. On July 31, 2024, Atlantic County issued a "Notice of Eligibility" terminating New Jersey Family Care health coverage for the Petitioner and their spouse. Id. The Petitioner filed a timely request for a Fair Hearing to appeal the termination and on October 4, 2024, the hearing commenced. Id. The hearing was continued to October 11, 2024, because there was a need to provide additional documentation. Id. Petitioner submitted a document that listed their gross income at \$4,747.20 and Modified Adjusted Gross Income (MAGI) income at \$2,787.50. (P-1). The hearing concluded on October

11, 2024. ID at 3. The record closed on November 25, 2024 upon receipt of the Petitioner's closing statement. Id.

The AU's gross income is determined to be \$4,747.20. (R-1, p.2, p.7). And the New Jersey Family Care program limit is \$3,588 per month for a household of four. (R-1, p.2.). Atlantic County allowed deductions for student loan interest at \$132.75 per month, deferred compensation contributions of \$45.09 per month, and Pension contributions of \$237.35 per month. ID at 12. However, Atlantic County disallowed deductions of \$1,090 per month for tuition and fees, \$100.00 per month for education expenses, and \$500.17 per month for self-employment and business loss. Ibid.

In the Initial Decision, the Administrative Law Judge (ALJ) cited Medicaid Communication No. 14-12, dated November 14, 2014, and found that self-employment and business loss, tuition and fees, and Educator expenses are allowed deductions. Id. at 10 -11. Accordingly, the ALJ found that after the allowable deductions, the Petitioner's MAGI was \$2,787.50 per month, which would qualify them for New Jersey Family Care. Id. at 12. In their exceptions, Atlantic County conceded to the allowable deductions of educator expenses at \$100.00 per month and self-employment and business loss at \$500.17 per month. Respondent Exceptions. However, Atlantic County cited what they referred to as a "Med-Com" dated August 22, 2019 which eliminated the tuition and fees deduction. Ibid. The referenced authority is not a Medicaid Communication, but rather a State Health Official letter from the Centers for Medicare and Medicaid Services (CMS). This letter is an official communication from a Federal Agency that governs state Medicaid agencies. This letter does indeed state that tuition and fees are no longer an allowable deduction in calculating MAGI. "Section 40203 of the Bipartisan Budget Act of 2018 (Pub. L. No. 115-123) amended section 222(e) of the IRC to eliminate this deduction, effective January 1, 2018." SHO # 19-003 at 8. Therefore, tuition and fees paid are no longer

deductible in calculating MAGI, effective January 1, 2018. As such, with only the educator expenses and self-employment and business deductions, Atlantic County claims that the Petitioner's MAGI should be calculated at \$3,686.74, which is above the monthly maximum of \$3,588 for a family of four. Ibid. I agree with Atlantic County. While it is true that Medicaid Communication No. 14-12 enumerates tuition and fees as an allowable deduction, SHO # 19-003 is more recent and takes precedent. SHO # 19-003 clearly states, "...tuition and fees paid are no longer deductible in calculating MAGI, effective January 1, 2018." Id. at 3. As such, Atlantic County's determination of Petitioner's AU MAGI at \$3,686.74 is correct.

Thus, for the reasons set forth above and those contained in the Initial Decision, I conclude that Petitioner is over the income limit and ineligible for New Jersey Family Care.

I hereby REVERSE the Initial Decision and uphold Atlantic County's termination of Petitioner's application for Medicaid due to excess income.

THEREFORE, it is on this 17th day of March 2025,

ORDERED:

That the Initial Decision is hereby Reversed.



Gregory Woods, Assistant Commissioner
Division of Medical Assistance and Health Services