



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

INITIAL DECISION

OAL DKT. NO. HMA 21003-25

AGENCY REF. NO. N/A

B.P.,

Petitioner,

v.

**MIDDLESEX COUNTY BOARD
OF SOCIAL SERVICES,**

Respondent.

S.W. for petitioner, pursuant to N.J.A.C. 1:10B-5.1.

Carrie Flanzbaum, Human Services Specialist 3, for respondent, under N.J.A.C.
1:1-5.4(a)(3)

Record Closed: February 26, 2026

Decided: March 19, 2026

BEFORE **SUSAN MCCABE**, ALJ:

STATEMENT OF THE CASE

Petitioner, B.P., received a singular payout for unused vacation during her Medicaid income look-back period, resulting in a denial of Medicaid benefits. Must B.P.'s Medicaid application be denied? No. Medicaid applicants who receive a nonrecurring lump sum during a Medicaid income look-back period such as a singular payout for

unused vacation are subject to a period of ineligibility—not to a denial of Medicaid benefits. N.J.A.C. 10:78-4.3(c).

PROCEDURAL HISTORY

On July 10, 2025, B.P. applied to the Middlesex County Board of Social Services (Middlesex County) for Medicaid benefits under the NJ FamilyCare program.

On August 12, 2025, Middlesex County denied the application because B.P.'s monthly income exceeded the program income limit.

B.P. later appealed the determination and requested a fair hearing.

On December 10, 2025, the Division of Medical Assistance and Health Services transmitted the case to the Office of Administrative Law, where it was filed as a contested case under the Administrative Procedure Act. N.J.S.A. 52:14B-1 to -15.

On February 26, 2026, I held the hearing and closed the record.

FINDINGS OF FACT

Based on the testimony the parties provided and my assessment of its credibility, together with the documents the parties submitted and my assessment of their sufficiency, I **FIND** the following as **FACT**:

On July 10, 2025, B.P. filed an application with Middlesex County for Medicaid benefits under NJ FamilyCare as a single adult. In her application, B.P. included two bi-weekly paystubs, covering the pay period May 25, 2025, to June 21, 2026. The first paystub reflected a gross income of \$1,215.62, and the second paystub reflected a gross income of \$1,474.97. The second paystub also contained a payout for unused vacation time in the amount of \$479.75. Middlesex County included the vacation payout in its income calculations and determined that B.P.'s modified adjusted gross income (MAGI) was \$2,915, which exceeded the monthly program income limit of \$2,433. Middlesex

County denied B.P.'s Medicaid application on this basis and did not seek any additional information or any verifications from B.P. before issuing the denial.

CONCLUSIONS OF LAW

NJ FamilyCare is a federal and State-funded health insurance program that offers free or low-cost health coverage for eligible low-income residents, including single adults. N.J.A.C. 10:78-1.1(c)(4). Applicants are subject to an income limit that cannot exceed 138 percent of the federal poverty level as set forth under the Affordable Care Act. For wage earners, income is calculated based on gross income reported in the month immediately preceding application for NJ FamilyCare. N.J.A.C. 10:78-4.3(b)(2).

In determining eligibility, the county social service agency (CSSA) "shall establish the best estimate of income that shall be available to the household unit." N.J.A.C. 10:78-4.2(a). When calculating income, the CSSA is to add any nonrecurring lump-sum income to any other income received in that month, and the total is to be divided by the income eligibility limit, which results in the number of months the applicant will be ineligible to receive Medicaid. N.J.A.C. 10:78-4.3(c). Medicaid applicants who receive a nonrecurring lump sum during a Medicaid income look-back period, such as a singular payout for unused vacation, are subject to a period of ineligibility—not to a denial of Medicaid benefits. N.J.A.C. 10:78-4.3(c).

In this case, B.P.'s employer made an errant payout for unused vacation time in the amount of \$479.75 in one of the two paystubs utilized to determine income eligibility. This sum was delineated in the vacation category of the paystub. Middlesex County did not seek any additional information or verifications from B.P. regarding the \$479.75, nor did it categorize the \$479.75 as a nonrecurring lump-sum income. If Middlesex County had done so, it would have known to exclude the errant payout from its calculation and would have calculated B.P.'s MAGI as \$2,395.44, which is less than the \$2,433 income standard for a single adult.

Since B.P.'s MAGI is less than the income standard for a single adult, I **CONCLUDE** that B.P. is entitled to Medicaid and to retroactive Medicaid coverage from

August 12, 2025, which is the date of denial, to be offset as calculated by Middlesex County under N.J.A.C. 10:78-4.3(c).

ORDER


Given my findings of fact and conclusions of law, I **ORDER** that B.P has Medicaid coverage from August 12, 2025, to be offset as calculated by Middlesex County under N.J.A.C. 10:78-4.3(c).

I **FILE** my initial decision with the **ASSISTANT COMMISSIONER OF THE DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES** for consideration. This recommended decision may be adopted, modified, or rejected by the **ASSISTANT COMMISSIONER**, who is authorized to make a final decision in this case. If the **ASSISTANT COMMISSIONER** does not adopt, modify, or reject this decision within forty-five days, and unless such time limit is otherwise extended, this recommended decision becomes a final decision under N.J.S.A. 52:14B-10(c).

Within seven days from the date on which this recommended decision is mailed to the parties, any party may file written exceptions at **ASSISTANT COMMISSIONER, DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES, Mail Code #3, PO Box 712, Trenton, New Jersey 08625-0712**, marked "Attention: Exceptions." A copy of any exceptions must be sent to the judge and to the other parties.

March 19, 2026

DATE



SUSAN MCCABE, ALJ

Date Received at Agency:

Date Mailed to Parties:

SM/dc/gd

APPENDIX

Witnesses

For petitioner:

S.W.

For respondent:

Carrie Flanzbaum, Human Services Specialist 3

Exhibits

For petitioner:

P-1 Fair hearing response, February 16, 2026

For respondent:

R-1 Medicaid application, July 10, 2025

R-2 Denial of Medicaid benefits and citations by respondent to B.P., August 12, 2025

R-3 Income verifications, undated

R-4 Medicaid income standards, January 2025