



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF HEALTH AND HUMAN SERVICES
LANSING

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DIRECTOR

IV-D MEMORANDUM 2024-021

TO: All IV-D Staff*

FROM: Erin P. Frisch, Director
Office of Child Support (OCS)

DATE: December 11, 2024

SUBJECT: Ending the Recovery of State-Owed Birth Expenses and Forgiving
State-Owed Birth Expense Debt

ACTION DUE: None

POLICY EFFECTIVE DATE: January 1, 2025

PURPOSE:

This IV-D Memorandum provides policy and instruction regarding the end of Medicaid-paid birth expense recovery and the forgiveness of state-owed birth expense debts. These changes were included in the State of Michigan budget for fiscal year (FY) 2025,¹ which went into effect October 1, 2024. This memorandum discusses the:

- Elimination of the process for seeking reimbursement of Medicaid-paid birth expenses from fathers; and
- Removal of outstanding state-owed birth expense obligations and arrears.

OCS will activate functionality in the Michigan Child Support Enforcement System (MiCSES) to implement these changes on January 1, 2025.

This IV-D Memorandum:

- Provides guidance on ending the recovery of state-owed birth expenses, including MiCSES processes and enforcement impacts;
- Introduces the *Birth Expense Parent Letter* (BEPLET);
- Introduces three new exhibits:

UPDATE(S):

☒ Manual

☒ Form(s)

¹ Enrolled Senate Bill 747.

- Enforcement Impacts of Birth Expense Forgiveness (Exhibit 2024-021E1);
 - Case Participant Questions Regarding the End of State-Owed Birth Expense Recovery (Exhibit 2024-021E2); and
 - IV-D Staff Questions Regarding the End of State-Owed Birth Expense Recovery (Exhibit 2024-021E3);
- Explains the options for notifying the courts about state-owed birth expense debt forgiveness; and
 - Discusses communications regarding the end of Medicaid-paid birth expense recovery.

This memorandum also announces revisions to *Michigan IV-D Child Support Manual* Section 4.25, “Birth Expenses.” Significant changes to Section 4.25 since its last publication are indicated by a change bar in the right margin of the manual section. Updates to the year of the Michigan Child Support Formula from 2021 to 2025 are not identified with a change bar. A large amount of content has been deleted; these deletions are not identified with a change bar. (Section 4.25 is now eight pages long, down from 27 pages.)

Finally, this IV-D Memorandum obsoletes IV-D Memorandum 2024-011, *Discontinuing the Establishment of State-Owed Birth Expenses* and several other materials that are listed in the Necessary Action section at the end of this memorandum.

DISCUSSION:

A. Background

Medical expenses connected to the mother’s pregnancy and the medical expenses related to the birth of the child are known as birth expenses.² Historically, the Michigan Department of Health and Human Services (MDHHS) has sought recovery from fathers to repay Medicaid for birth expenses when the child was born out of wedlock and the birth expenses were paid by the Medicaid program.³ However, the Michigan Legislature recently updated the Paternity Act⁴ to remove the requirement for fathers to pay a portion of the Medicaid-paid birth expenses when requested by OCS.⁵

The federal IV-D program initially intended to recoup as much money as possible for government-provided assistance. However, the amount recovered for birth expenses was only a small fraction of the millions paid out by Medicaid in birth costs each year. Additionally, the IV-D program’s goal changed over the years to prioritize

² Birth expenses were previously referred to as confinement expenses. This term may still appear in some documentation.

³ Between October 21, 2011, and July 15, 2013, MDHHS temporarily discontinued requesting that Medicaid-paid birth expense reimbursement be included in child support orders.

⁴ Michigan Compiled Law (MCL) 722.712(3)

⁵ The governor approved Senate Bill 928 amending the Paternity Act on October 8, 2024.

promoting parental responsibility so children receive support from both parents even when they live in separate households. Michigan was one of the last remaining states that sought the recovery of Medicaid-paid birth expenses.

Birth-expense recovery disproportionately affected low-income families of color⁶ who need public health care coverage by taking the money they could use to care for their children to repay Medicaid. The Michigan Child Support Program can better serve children and families by eliminating this practice. Keeping income and child support payments with families helps them to provide for their children and prevent their need for public assistance later.

For several years, OCS and Medicaid's Third-Party Liability Division (TPL)⁷ strongly advocated for the elimination of birth expense recovery, and this is now supported by the State of Michigan FY 2025 budget. Eliminating the recovery of Medicaid-paid birth expenses aligns with the Michigan Child Support Program's Strategic Plan goals to improve child support processes and remove barriers to create positive results for families.

B. Ending the Recovery of Medicaid-Paid Birth Expenses

On August 8, 2024, OCS announced the first phase in the elimination of the recovery of Medicaid-paid birth expenses in IV-D Memorandum 2024-011. That memorandum directed IV-D staff to stop the establishment of new birth expense debts in support orders. It also introduced the new Business Objects report AQ10010573, *State-Owed Birth Expenses (CM/MD)*, which lists a county's existing cases with state-owed birth expense charges and arrears.

This IV-D Memorandum discusses the final phase in the termination of Medicaid-paid birth expense recovery, which involves:

- Forgiving all outstanding state-owed birth expense debts on open cases, which MDHHS is authorized to forgive under Michigan law;⁸ and
- Providing notice to payers and the courts of this forgiveness.

⁶ While Black non-custodial parents (NCPs) make up 38.70 percent of the child support caseload in Michigan, they are overrepresented in the cases involving Medicaid-paid birth expense recovery at 53.10 percent. However, white NCPs make up 46.90 percent of the caseload, but they are just 40.85 percent of the caseload involving birth expense recovery.

⁷ The Third-Party Liability Division (TPL) is part of the MDHHS Bureau of Medicaid Policy, Operations, and Actuarial Services. The Legal Liability and Recovery Section of this division verified birth expenses incurred by Medicaid and collected any funds recovered by the child support program for Medicaid expenses. TPL was previously referred to as Health Services and Family Support (HSFS).

⁸ MCL 205.13(2) and (4)

C. Implementation

1. System Updates

On September 23, 2022, the Child Support 22.3 Release included functionality to discontinue the creation and collection of state-owed birth expenses and to remove state-owed birth expenses from MiCSES. However, OCS kept this functionality “turned off” (inactive) until the policy could be implemented.

On January 1, 2025, OCS will activate the functionality to eliminate the recovery of state-owed birth expense debt. This will occur following completion of the batch run on December 31, 2024, shortly after 12 a.m. on January 1, 2025. This functionality includes a one-time batch process in MiCSES that will:

- a. Deactivate the debt types for Birth Expense – State (CM) and Medical Support – Medicaid (MD) from the *Debt Type Priority* (DBTP) screen. As a result, MiCSES will prevent the creation of any new CM and MD debt types and will prevent automated distribution to these debt types;
- b. Remove and forgive any debts greater than zero dollars⁹ for CM/MD on open cases;¹⁰
- c. Add a case-level note on the *Notes Processor* (NOTE) screen stating the removal of the birth expense obligation or arrears;
- d. Update the Support Specialist Case Activity Chain to discontinue the ability to generate the *Birth Expenses Request* (OCS0076);
- e. Remove the OCS0076 and 6070 from MiCSES;¹¹
- f. Generate a notice to affected payers announcing the forgiveness of their state-owed birth expense debt;¹² and
- g. Produce a report for IV-D staff of all affected cases.¹³

OCS intends to forgive all state-owed birth expense debts. If IV-D staff find a state-owed birth expense debt following the batch process (e.g., it is incorrectly coded as a debt type other than CM/MD), IV-D staff will manually remove the debt, notify the payer, and add a case note.

⁹ The batch process will not affect any cases with negative arrears in CM/MD. IV-D workers can run the *FNegative State Arrears* report on the *Functional Prototype Queries* (FPRO) screen to view negative balances. Ref: the [Referral and Cert/Decert Queries Handout](#) for additional information on the *FNegative State Arrears* report.

¹⁰ This includes any fixed obligations that have not yet been paid in full.

¹¹ The OCS0076 and 6070 are the MiCSES-generated versions of the TPL form, the *Birth Expenses Request* (DCH-0491). Support specialists use the OCS0076, and Prosecuting Attorney staff use the 6070.

¹² Ref: Section C(2) of this memorandum for information about this notice.

¹³ Ref: Section C(3)(b) of this memorandum for information about this report.

2. Informing Payers

OCS has created the *Birth Expense Parent Letter* (BEPLET) to notify payers of the forgiveness of their state-owed birth expense debt. This one-time letter also explains that:

- a. MDHHS has forgiven any balances still owed for Medicaid-paid pregnancy and birth expenses,¹⁴ and they are no longer owed;
- b. The debt forgiveness:
 - 1) Affects only pregnancy and birth expenses paid by Medicaid; and
 - 2) Does not affect any money owed to the mother or non-parent custodian, other debts owed to the State of Michigan, or fees owed by the payer; and
- c. There will be no refund of money paid for pregnancy and birth expenses if the payment was made prior to January 1, 2025.

OCS will not send a communication to custodial parties (CPs) because the forgiveness will not affect the support they receive, and the debt is not owed to them.

MiCSES will identify affected payers and generate the letters that will be mailed through Central Print. IV-D staff will not generate or mail these letters unless they learn that a payer did not receive the letter and/or requests a new copy of it.

The BEPLET will be viewable to verified MiChildSupport users under “User Documents.”

3. Reports for IV-D Staff

There are two reports that will assist IV-D staff: AQ10010573, *State-Owed Birth Expenses (CM/MD)* and the *Birth Expense Forgiveness Post-Implementation Report*.

- a. AQ10010573, *State-Owed Birth Expenses (CM/MD)*¹⁵

In August 2024, OCS introduced Business Objects report AQ10010573, *State-Owed Birth Expenses (CM/MD)* for counties to view their existing cases that have state-owed birth expense charges and arrears. Counties are encouraged, but not required, to use this report to view details of potentially affected cases. IV-D staff may use the report to help decide whether to initiate

¹⁴ The BEPLET does not provide the amount forgiven. The parent’s MiChildSupport account and documents providing arrearages that are available to the parent will be adjusted accordingly.

¹⁵ This report can be found in Business Objects under Corporate Categories > CSES Reports > FOC Reports.

discretionary enforcement actions or how to proceed with discretionary enforcement actions that are already in progress. OCS has instructed staff not to use this report to attempt to discharge or forgive the debt.

OCS encourages Friend of the Court (FOC) offices to generate, print, and/or save this report before the forgiveness date (January 1, 2025) since it will not be available afterward. This report contains information not included in the *Birth Expense Forgiveness Post-Implementation Report* and has been updated based on feedback from IV-D partners.

b. *Birth Expense Forgiveness Post-Implementation Report*

Following the January 1 batch process to remove the CM/MD debts, OCS will upload the *Birth Expense Forgiveness Post-Implementation Report* to the mi-support Document Distribution Center. This report will include a list of affected cases and the following information for each case:

- The amount of state-owed birth expense debts forgiven;
- Whether there are other non-fee charges;
- The total arrears balance remaining; and
- Any active enforcement activities.

The *Birth Expense Forgiveness Post-Implementation Report* will be the best way to view the amount of arrears forgiven and the other information above. OCS encourages IV-D offices to save a copy of the report for quick reference (e.g., when a payer contacts the office to ask how much debt was forgiven from arrears).

4. Informing the Court

In fall 2024, OCS asked FOC offices to complete a survey indicating if and/or how they would like OCS to notify their court of the state-owed birth expense forgiveness. OCS offered four options:

- a. No notice to the court;
- b. A list of cases with one general *Certificate of Satisfied Judgment* (a document with no case identifiers);
- c. A list of cases with enough copies of the general *Certificate of Satisfied Judgment* for each case; or
- d. A list of cases with an individualized *Certificate of Satisfied Judgment* (a document with case identifiers for each case).

Additionally, the survey asked recipients to provide a mailing address for OCS to send notices for options b, c, and d. If recipients did not return the survey, OCS will not send a notice.

IV-D workers who have questions about their county's chosen option should speak to their FOC director/administrator. FOC directors/administrators who have questions about the option selected should contact Stephanie May at MayS13@michigan.gov.

Note: For counties that selected option d, it may take several months after the forgiveness date for OCS to complete and mail the individualized *Certificate of Satisfied Judgment* notice.

D. Enforcement Impacts

Once OCS turns on the functionality to forgive state-owed birth expense debts, there may be ongoing enforcement activities on a case that could be affected by the removal of these debts. MiCSES will automatically recognize and react to the change in charges and balance owed. The *Birth Expense Forgiveness Post-Implementation Report* will identify active enforcement activities and bench warrants for the cases in which MDHHS has forgiven state-owed birth expense debts.

OCS created Exhibit 2024-021E1, Enforcement Impacts of Birth Expense Forgiveness, which is discussed in Section G(1) of this memorandum. IV-D staff should read this exhibit in its entirety to fully understand the impacts to enforcement remedies.

E. Incentive Funding Impact¹⁶

In accordance with 42 Code of Federal Regulations (CFR) 433.153, TPL pays the IV-D program a 15 percent incentive on the amount it receives in medical support from the child support program. OCS reports this 15 percent as program income as required by federal regulations.

Of the incentive amount paid out by TPL, 34 percent of that is paid directly to the counties. The remaining 66 percent is sent to OCS; OCS uses the 66 percent to offset the reduction in its federal IV-D funding as a result of this program income.

The medical support on which the incentive is paid includes collections on the debt types MS (Medical Support – Client), CM and MD. With the forgiveness of all outstanding debts under CM and MD, counties can anticipate slightly reduced incentives beginning in FY 2025. Historically, CM and MD debts have accounted for roughly 20 to 25 percent of the total medical support collections, with it trending downward in recent years.¹⁷

¹⁶ This is discussed in [IV-D Memorandum 2016-009, Updates to Reporting the 15 Percent Medical Support Incentive As Program Income](#).

¹⁷ Birth expenses accounted for 21.3 percent of medical support revenue in 2023.

F. Changes to Section 4.25, “Birth Expenses”

OCS updated Section 4.25 to remove all information pertaining to the recovery of Medicaid-paid birth expenses.

Non-Medicaid-paid birth expense recovery and obligations remain unchanged, and IV-D staff may continue to establish, collect, and enforce any non-Medicaid paid birth expenses.

G. IV-D Memorandum Exhibits

OCS created three exhibits to assist IV-D staff with ending the recovery of state-owed birth expenses. Staff are expected to read all three exhibits because they contain information not provided in this memorandum or in the manual revision. OCS has informally shared earlier versions of Exhibits 2024-021E1 and 2024-021E3 with the Friend of the Court Association (FOCA).

1. Exhibit 2024-021E1: Enforcement Impacts of Birth Expense Forgiveness

This exhibit lists all enforcement activities and how the forgiveness of birth expenses may impact each activity.

After initial review, IV-D staff should refer to this exhibit to identify:

- Automatic actions MiCSES will take; and
- IV-D staff manual actions that may be necessary.

2. Exhibit 2024-021E2: Case Participant Questions Regarding the End of State-Owed Birth Expense Recovery

This exhibit answers questions that IV-D partners may receive from CPs or NCPs regarding the end of state-owed birth expense recovery. It includes questions received throughout the development of this memorandum, but it is not an all-inclusive list of case participant questions.

3. Exhibit 2024-021E3: IV-D Staff Questions Regarding the End of State-Owed Birth Expense Recovery

This exhibit is a compilation of questions OCS received from FOCA and others during the development of this memorandum. It primarily addresses questions regarding enforcement impacts, reports, and system functionality related to state-owed birth expense forgiveness.

H. Communications to IV-D Staff

OCS will inform IV-D staff about the end of Medicaid-paid birth expense recovery through:

- Webinars scheduled on:
 - December 18, 2024;
 - December 19, 2024; and
 - January 15, 2025.¹⁸

IV-D staff should register for these webinars in advance in the OCS Learning Management System (LMS).

- Child Support Updates calls;
- PA Forum meeting;
- FOC and PA User Group meetings; and
- Any other relevant IV-D forums.

OCS will provide more information to IV-D staff in email notifications as needed. No press release or other public outreach is planned.

NECESSARY ACTION:

Review Section 4.25 of the *Michigan IV-D Child Support Manual*. For those maintaining a hard copy of the manual, print the manual section and add it to the manual. Staff should read all three exhibits since they contain information not provided in this memorandum or in the manual section. Discard the previously published versions of Section 4.25 (June 5, 2023) and Exhibits 4.25E1, 4.25E2, 4.25E3, and 4.25E4.

With the publication of this policy, the following are obsolete:

- Exhibit 4.25E1: Birth Expense Decision Table;
- Exhibit 4.25E2: *Birth Expenses Request* (DCH-0491);
- Exhibit 4.25E3: Poverty Level Comparison Chart 2023: hard copy representation;
- Exhibit 4.25E4: Birth Expense Obligation Formula 2023: hard copy representation;
- *Birth Expense Calculator* (DHS-1244); and
- IV-D Memorandum 2024-011.

¹⁸ The December 18 and 19 webinars will include the same content. The January 15 webinar will include different content.

REVIEW PARTICIPANTS:

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SUPPORTING REFERENCES:

Federal
42 CFR 433.153

State
Senate Bill 747
Senate Bill 928
MCL 722.712(3)
MCL 205.13(2) and (4)

ATTACHMENTS:

Section 4.25:	Birth Expenses
Exhibit 2024-021E1:	Enforcement Impacts of Birth Expense Forgiveness
Exhibit 2024-021E2:	Case Participant Questions Regarding the End of State-Owed Birth Expense Recovery
Exhibit 2024-021E3:	IV-D Staff Questions Regarding the End of State-Owed Birth Expense Recovery
BEPLET:	<i>Birth Expense Parent Letter</i>

EPF/SRM

* Ref: the [Michigan IV-D Child Support Manual Introduction and Table of Contents](#) for a definition of IV-D staff.