

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009**

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

**TABLE OF CONTENTS**

<b>Agency Officials</b> .....	1
<b>Management Assertion Letter</b> .....	2
<b>Compliance Report</b>	
Summary .....	3
Independent Accountants' Reports	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> Standards .....	11
Schedule of Findings	
Current Findings ( <i>Government Auditing Standards</i> ) .....	13
Current Findings (State Compliance) .....	24
Prior Findings Not Repeated ( <i>Government Auditing Standards</i> ).....	37
Prior Findings Not Repeated (State Compliance).....	39
Status of Management Audit .....	41
– KidCare Program .....	42
– Prompt Payment Act Compliance and Medicaid Payment Process.....	43
<b>Financial Statement Report</b>	
Summary .....	56
Independent Auditors' Report.....	57
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets .....	59
Statement of Activities.....	60
Governmental Funds Financial Statements	
Balance Sheet .....	61
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets .....	62
Statement of Revenues, Expenditures and Changes in Fund Balance .....	63
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities.....	64
Proprietary Funds Financial Statements	
Statement of Net Assets .....	65
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	66
Statement of Cash Flows.....	67
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Assets .....	68
Statement of Changes in Fiduciary Net Assets .....	69
Notes to the Financial Statements .....	70

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

**TABLE OF CONTENTS (Continued)**

Required Supplementary Information – Defined Benefit Other Postemployment Benefit Plans – Schedule of Funding Progress (Unaudited).....	95
Combining and Individual Fund Financial Statements	
General Fund	
Combining Schedule of Accounts – General Fund .....	96
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund .....	99
Non-major Governmental Funds	
Combining Balance Sheet – Non-major Governmental Funds .....	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds .....	104
Fiduciary Funds	
Combining Statement of Fiduciary Net Assets – Pension (and Other Employee Benefit) Trust Funds .....	106
Combining Statement of Changes in Fiduciary Net Assets – Pension (and Other Employee Benefit) Trust Funds .....	107
Combining Statement of Fiduciary Net Assets – Agency Funds .....	108
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	109
<b>Supplementary Information for State Compliance Purposes</b>	
Summary .....	110
Fiscal Schedules and Analysis	
Schedule of Expenditures of Federal Awards .....	111
Notes to the Schedule of Expenditures of Federal Awards .....	112
Schedule of Appropriations, Expenditures and Lapsed Balances .....	115
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances .....	122
Locally Held Funds – Cash Basis Schedule .....	134
Schedule of Changes in State Property .....	135
Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the Comptroller .....	136
Analysis of Significant Variations in Expenditures .....	147
Analysis of Significant Variations in Receipts .....	152
Analysis of Significant Lapse Period Spending .....	158
Analysis of Significant Balance Sheet Accounts .....	160
Analysis of Accounts Receivable .....	167
Indirect Cost Reimbursements (Unaudited) .....	168
Schedule of Adjudication Pattern, Payment Patterns and Claims Paid (Unaudited) .....	169

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

**TABLE OF CONTENTS (Continued)**

Analysis of Operations	
Department Functions and Planning Program.....	170
Average Number of Employees.....	174
Fiscal Year Statistics – Medicaid Enrollment (Unaudited).....	175
Emergency Purchases.....	176
Service Efforts and Accomplishments (Unaudited) .....	178

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

**AGENCY OFFICIALS**

Director	Barry S. Maram
Assistant Director	Sharron Matthews
Deputy Directors	
Community Outreach	Peter F. Vina
Administrative Operations	Charles A. Jackson (7/1/08 – 3/24/09)
Human Resources	Richard Foxman
New Initiatives	Krista Donahue (7/1/08 – 10/14/08)
Policy	Laura Zaremba
General Counsel	Kyong Lee (Acting 7/1/08 – 5/31/09) Jeanette Badrov (6/1/09 – 6/30/09)
Inspector General	John C. Allen
State Purchasing Officer	Tom Sestak (Acting)
Chief Operating Officer	Tamara Hoffman
Administrators	
Division of Child Support Enforcement	Pamela Lowry
Division of Finance	Michael Moss
Division of Medical Programs	Theresa Eagleson
Division of Personnel and Administrative Services	Theresa Bietsch
Chiefs	
Office of Legislative Affairs	Emily Coultas
Office of Fiscal Management	Jack Dodds
Office of Healthcare Purchasing	Pat Frueh (Acting)
Office of Information Services	Ivan Handler

Department of Healthcare and Family Services offices are located at:

201 South Grand Avenue East  
Springfield, IL 62763

2200 Churchill Road  
Springfield, IL 62702

201 South Grand Avenue East  
Springfield, Illinois 62763-0002

Telephone: (217) 782-1200  
TTY: (800) 526-5812

April 15, 2010

Office of the Auditor General  
740 East Ash  
Springfield, IL 62703

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Agency. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the year ended June 30, 2009. Based on this evaluation, we assert that during the year ended June 30, 2009, the Agency has materially complied with the assertions below.

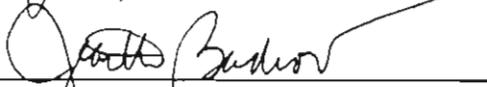
- A. The agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The agency has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Department of Healthcare and Family Services

  
\_\_\_\_\_  
Barry S. Maram, Director

  
\_\_\_\_\_  
Jack Dodds, Chief Fiscal Officer

  
\_\_\_\_\_  
Jeanette Badrov, General Counsel

E-mail: [hfs.webmaster@illinois.gov](mailto:hfs.webmaster@illinois.gov)

Internet: <http://www.hfs.illinois.gov/>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

**COMPLIANCE REPORT**

**SUMMARY**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**ACCOUNTANTS' REPORT**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	13	17
Repeated findings	8	8
Prior recommendations implemented or not repeated	9	7

Details of *Government Auditing Standards* findings are issues related to significant deficiencies and material weaknesses in internal control over financial reporting. Details of *Government Auditing Standards* and State Compliance findings are presented in a separately tabbed report section.

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	
<b>FINDINGS (GOVERNMENT AUDITING STANDARDS)</b>			
09-1	13	Failure to provide requested engagement documentation in a timely manner	Material Weakness Noncompliance
09-2	16	Financial statement preparation	Material Weakness Noncompliance
09-3	18	Insufficient controls over the University of Illinois Hospital Services Fund	Significant Deficiency

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

**FINDINGS (GOVERNMENT AUDITING STANDARDS) CONTINUED**

09-4	20	Incorrect health insurance premium rates charged	Significant Deficiency
------	----	--	------------------------

**FINDINGS (STATE COMPLIANCE)**

09-5	24	Inadequate controls over personal services	Significant Deficiency Noncompliance
09-6	27	Failure to comply with interagency agreements	Significant Deficiency Noncompliance
09-7	29	Noncompliance with the Alternative Healthcare Delivery Act	Significant Deficiency Noncompliance
09-8	30	External peer-based quality assurance contractor not located in Illinois	Significant Deficiency Noncompliance
09-9	31	Contract with a community mental health services provider not established	Significant Deficiency Noncompliance
09-10	33	Failure to create a health care advocates committee	Significant Deficiency Noncompliance
09-11	34	Noncompliance with the Disabilities Services Act	Significant Deficiency Noncompliance
09-12	35	Untimely Medicaid annual report	Significant Deficiency Noncompliance
09-13	36	Pilot project not implemented	Significant Deficiency Noncompliance

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

In addition, the following findings which are reported as current findings related to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

09-1	13	Failure to provide requested engagement documentation in a timely manner	Material Weakness Material Noncompliance
09-2	16	Financial statement preparation	Material Weakness Material Noncompliance
09-3	18	Insufficient controls over the University of Illinois Hospital Services Fund	Significant Deficiency Noncompliance
09-4	20	Incorrect health insurance premium rates charged	Significant Deficiency Noncompliance

**PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)**

A	37	Third party internal control reviews not obtained
B	37	Incomplete and inaccurate census data
C	37	No controls over Community College Health Insurance Security Fund contributions
D	38	Inappropriate use of appropriation authority

**PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)**

E	39	Hospital improvement access payments not paid timely
F	39	Voucher processing weaknesses
G	39	Grants not approved or refunds received timely
H	40	University of Illinois Hospital not notified of revised rates
I	40	Noncompliance with the Illinois Latino Family Commission Act

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

**EXIT CONFERENCE**

The financial audit and compliance examination findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on April 8, 2010.

Attending were:

Department of Healthcare and Family Services

Peggy Edwards, Audit Liaison

Jamie Nardulli, Audit Liaison

Carolyn Williams Meza, Strategic Planning Deputy Director

Connie Christen, Administrative Assistant

Gary Casper, Bureau of Fiscal Operations Manager – Expenditures

Tom Fitzgerald, Bureau of Fiscal Operations Manager - Receipts

Kathryn Hanlon, Bureau of Fiscal Operations Manager - General Accounting

Greg Wilson, Bureau of Program and Reimbursement Analysis Chief

Office of the Auditor General

Terri Davis, Audit Manager

Paula Sorensen, Audit Supervisor

The responses to the recommendations were provided by Jamie Nardulli, External Audit Coordinator, on April 15, 2010.

SPRINGFIELD OFFICE:  
ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046  
FAX: 217/785-8222 • TTY: 868/261-2887



CHICAGO OFFICE:  
MICHAEL A. BILANDIC BLDG. • SUITE 5-900  
160 NORTH LASALLE • 60601-3103  
PHONE: 312/814-4000  
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have examined the State of Illinois, Department of Healthcare and Family Services' compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2009. The management of the State of Illinois, Department of Healthcare and Family Services is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Healthcare and Family Services' compliance based on our examination.

- A. The State of Illinois, Department of Healthcare and Family Services has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Department of Healthcare and Family Services has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Department of Healthcare and Family Services has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Department of Healthcare and Family Services are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Department of Healthcare and Family Services on behalf of the State or held in trust by the State of Illinois, Department of Healthcare and Family Services have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Healthcare and Family Services' compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Healthcare and Family Services' compliance with specified requirements.

As described in findings 09-1 and 09-2 in the accompanying schedule of findings, the State of Illinois, Department of Healthcare and Family Services did not comply with requirements regarding:

- C. The State of Illinois, Department of Healthcare and Family Services has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Department of Healthcare and Family Services to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Department of Healthcare and Family Services complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2009. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 09-3, 09-4, 09-5, 09-6, 09-7, 09-8, 09-9, 09-10, 09-11, 09-12, and 09-13.

### **Internal Control**

The management of the State of Illinois, Department of Healthcare and Family Services is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Department of Healthcare and Family Services' internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as findings 09-1 and 09-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in findings 09-3, 09-4, 09-5, 09-6, 09-7, 09-8, 09-9, 09-10, 09-11, 09-12, and 09-13 in the accompanying schedule of findings to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter.

The State of Illinois, Department of Healthcare and Family Services' responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Department of Healthcare and Family Services' responses and, accordingly, we express no opinion on them.

### **Supplementary Information for State Compliance Purposes**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Healthcare and Family Services as of and for the year ended June 30, 2009, which collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements, and have issued our report thereon dated April 15, 2010. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois, Department of Healthcare and Family Services. The 2009 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009 taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the State of Illinois, Department of Healthcare and Family Services' basic financial statements for the year ended June 30, 2008. In our report dated June 26, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2008 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management and is not intended to be and should not be used by anyone other than these specified parties.

  
Bruce L. Bullard, CPA  
Director of Financial and Compliance Audits

April 15, 2010

SPRINGFIELD OFFICE:  
ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046  
FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:  
MICHAEL A. BILANDIC BLDG. • SUITE S-900  
160 NORTH LASALLE • 60601-3103  
PHONE: 312/814-4000  
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable William G. Holland  
Auditor General  
State of Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Healthcare and Family Services, as of and for the year ended June 30, 2009, which collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements, and have issued our report thereon dated April 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 09-1 and 09-2 in the accompanying schedule of findings to be material weaknesses.

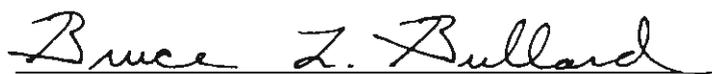
A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in findings 09-3 and 09-4 in the accompanying schedule of findings to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Healthcare and Family Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 09-1 and 09-2.

The State of Illinois, Department of Healthcare and Family Services' responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the State of Illinois, Department of Healthcare and Family Services' responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA  
Director of Financial and Compliance Audits

April 15, 2010

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (GOVERNMENT AUDITING STANDARDS)**  
For the Year Ended June 30, 2009

09-1. **FINDING** (Failure to provide requested engagement documentation in a timely manner)

The Illinois Department of Healthcare and Family Services (Department) did not provide requested documentation to the auditors in a timely manner.

During the compliance examination and financial audit, the auditors made numerous requests from the Department during fieldwork. The auditors provided to the Department 277 specific written requests for documentation to perform our testing. These specific written requests could have had multiple items within the requests such as samples of vouchers and receipts.

As requested by the Department, all of the documentation requests were to be routed through an audit liaison. It was established at the beginning of the audit engagement that a two week turn around period would be acceptable for most document requests. Of the 277 requests, 128 (46%) requests were not fully completed by the Department within the two week time frame. The table below summarizes the delays

<u>Days Received after the Requested Due Date</u>	<u>Number of Requests</u>
1 week	51
2 weeks	31
3 weeks	9
1 month	10
2 months	16
3 months	7
Over 3 months	4
Total	<u>128</u>

Of the 128 requests that were not fully completed within the two week time frame, we received partial information for 17 (13%) requests within the two week time frame.

State agencies are required by State law to perform specific duties and responsibilities. Testing of the Department’s documentation provides evidence of the Department’s performance of those duties and feedback to the General Assembly regarding the Department’s compliance with various statutory requirements.

The Illinois State Auditing Act (Act) (30 ILCS 5/3-12) requires each State agency and their officers and employees to promptly comply with, and aid and assist the Auditor General. In addition, the Act requires each State agency, at the request of the Auditor General, to make available to the Auditor General *without delay*, (emphasis added) any record or information requested.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (GOVERNMENT AUDITING STANDARDS)**  
For the Year Ended June 30, 2009

Department management stated the Department and the auditors agreed to a two week time frame for most document requests. Sometimes requests are complex, involve one area in the Department receiving multiple requests at the same time, or require outside contact for information from another agency, vendor or provider. Therefore, the Department may not be able to meet the two week time frame on all document requests. The Department made every effort to meet the two week time frame when feasible.

Without being provided timely documentation and support for testing, the auditors were unable to complete the audit timely to provide useful and relevant feedback to the General Assembly regarding the Department’s compliance with various laws and regulations. (Finding Code No. 09-1)

**RECOMMENDATION**

We recommend the Department ensure audit documentation is provided to the auditors in a timely manner as required by the Illinois State Auditing Act.

**DEPARTMENT RESPONSE**

The Department disagrees with this finding. The auditors have shown no evidence that items provided after the two week time frame caused any delay in completing their audit timely. In fact, the auditors completed this year’s audit in less time than previous years.

The auditor’s chart of “days received after the due date of request” is misleading. According to the backup documents provided by the auditors, a more accurate depiction of the days the items were submitted is as follows:

<u>Days Received after the Due Date of Request</u>	<u>Number of Items</u>
1-4 days	21
5-8 days	36
9-14 days	25
17-22 days	11
26-30 days	8
31-48 days	16
62-86 days	8
91-97 days	3
Total	<u>128</u>

According to the auditors, the audit fieldwork was to be completed by December 29, 2009. According to the backup documents provided by the auditors, we noted the following:

- Eighty-three percent (83%) of all document requests were provided within two weeks of the due date.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (GOVERNMENT AUDITING STANDARDS)**  
For the Year Ended June 30, 2009

- The Department had provided 112 of the 128 items noted in this finding as of the auditors scheduled end of fieldwork date (December 29, 2009).
- Of the 16 items that were provided after December 29, 2009,
  - six (6) of these items were requested by the auditors between December 15-22,
  - five (5) of these items were requested by the auditors in January 2010.
- All of the items, noted as late by the auditors, had been provided nearly two weeks prior to the auditors sending their final request for information on February 16, 2010.

It should also be noted that the auditors made 14 new requests after their anticipated fieldwork end date.

The Department takes the audit process very seriously and provides information to the auditors as quickly as possible. We will continue to strive to meet the two week turn around when feasible and will continue to communicate with the auditors when we cannot meet the two week time frame.

**AUDITOR'S COMMENT**

The Department's response is absurd. The Department is not in a position to evaluate the effect the Department's delays may impose on an audit. The auditors concluded the Department did not provide timely information to the auditors which is noncompliance with the Illinois State Auditing Act. The facts in the finding clearly demonstrate this noncompliance. Audit schedules are established on the premise that information requests will be completed in a reasonable time period. For the Department's audit, a two week timeframe was established to complete audit requests. This is a generous time frame for a routine post audit.

As noted in the finding and the Department's response, the Department exceeded this two week time frame for 128 requests. Obviously, delays in receiving requested documents will cause a delay in audit completion.

The auditors disagree with the Department's conclusion that the auditors' chart, as presented in the finding, is misleading. The Department has simply taken the same data and displayed it in arbitrary increments of days in its response. The auditors reported that 46% of the documents were not provided within a two week period. Therefore, the Department did complete 54% of the requests within two weeks. The auditors' chart indicates that the Department completed 82 of 277 (30%) of the requests two weeks after the due date (one **month** from the original request). As reflected in both the auditors' chart and the Department's chart, it took three weeks to three additional **months** after the two week time frame had expired for the Department to complete the remaining 46 (16%) audit requests.

Both the finding and the Department's response demonstrate the difficulty the auditors experienced in obtaining timely information and cooperation during this post audit.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (GOVERNMENT AUDITING STANDARDS)**  
For the Year Ended June 30, 2009

09-2. **FINDING** (Financial statement preparation)

The Illinois Department of Healthcare and Family Services' (Department) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the Comptroller (Comptroller) contained weaknesses and inaccuracies. In addition, financial reporting was not timely.

Several errors were identified during the audit of the Department's draft financial statements. Some of the more significant adjustments were as follows:

- Payments to the federal government totaling \$16.970 million were classified as accounts payable instead of due to federal government.
- Payments to the State's internal service funds totaling \$5.850 million were classified as accounts payable instead of due to other funds.
- Receivables totaling \$3.207 million were recognized as revenues instead of deferred revenue. The receipts were not collected within the available period of 60 days.
- Revenues from expenditures that qualify for federal reimbursement totaling \$1.701 million were not recorded in the financial statements as a due from federal government and federal operating grants.
- Cash transactions were not calculated correctly resulting in the Cash Flows Statement for the two proprietary funds to be incorrect.
- The financial accounting for, and reporting of, revenue and expense accounts for the Pension (and Other Employee Benefit) Trust Funds were incorrect. Specifically, the Department incorrectly classified employer contributions and member contributions resulting in an adjustment totaling \$8.531 million. The Department also did not correctly calculate revenues and expenses resulting in an overall adjustment totaling \$2.815 million to reduce revenues and expenses.

Also, we noted 15 of 32 (47%) GAAP Reporting Packages were not submitted to the Comptroller in a timely manner. The GAAP Reporting Packages were submitted to the Comptroller 6 to 35 days late. In addition, the Comptroller submitted to the Department review comments for the GAAP Reporting Packages on September 28, 2009 and October 13, 2009; however, the Department did not provide a response to those review comments until October 23, 2009. Further, a complete set of the Department's financial statements **was not** provided to the auditors **until** February 26, 2010, eight months **after** the year end. To complete the Department's financial statements, the Department was required to obtain and include in the Department's financial statements actuarial valuations for purposes of complying with the requirements of Statement No. 43 and 45 of the Governmental Accounting Standards Board. These actuarial valuations were not available to the auditors until January 8, 2010.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (GOVERNMENT AUDITING STANDARDS)**  
For the Year Ended June 30, 2009

The Comptroller requires State agencies to prepare GAAP Reporting Packages to assist in the annual preparation of the Statewide and the Department's financial statements. GAAP Reporting Package instructions are specified in the Statewide Accounting Management System (SAMS) (Chapter 27). The Comptroller also sets due dates for the financial information to be submitted in order for the Statewide and the Department's financial statements to be prepared and audited within a specified timeline to provide the financial statements to users in a timely manner.

In addition, Concepts Statement of Governmental Accounting Standards Board (GASBCS 1, paragraph 66) states "if financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions. Timeliness alone does not make information useful, but the passage of time usually diminishes the usefulness that the information otherwise would have had."

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

The Department stated the overall complexity of the financial statements combined with the loss of institutional knowledge in the financial reporting area increased the preparation and review time and contributed to the lack of timeliness in submitting GAAP Reporting Packages and the misstatements in the draft financial statements. In addition, the financial statements were not timely due to the inclusion of the GASB 45 valuation disclosures. The GASB 45 valuation was not completed until January 7, 2010, despite the cooperative efforts between the Department, the state retirement systems and the contracted actuary.

Failure to implement appropriate internal controls and provide timely financial information could lead to future misstatements of the State-wide and the Department's financial statements. (Finding Code No. 09-2, 08-1)

**RECOMMENDATION**

We recommend the Department implement additional internal control procedures to ensure GAAP Reporting Packages are prepared in an accurate and timely manner.

**DEPARTMENT RESPONSE**

The Department accepts the finding. The Department is continually assessing the financial reporting process and implementing procedures to improve upon timeliness and accuracy. As an ongoing effort the Department continues to strive to meet the mandated deadlines, which resulted in the GAAP Reporting Packages being submitted in a more timely manner than in prior years.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (*GOVERNMENT AUDITING STANDARDS*)**  
For the Year Ended June 30, 2009

09-3. **FINDING** (Insufficient controls over the University of Illinois Hospital Services Fund)

The Illinois Department of Healthcare and Family Services (Department) did not have adequate controls for hospital rates that are reimbursed to the University of Illinois Hospital and Clinics (Hospital) for services provided to individuals.

The Department and the Board of Trustees of the University of Illinois entered into an Interagency Agreement to require the Department to reimburse the Hospital for services provided by the Hospital. The Department reimburses the Hospital a total per diem rate which is the sum of a calculated inpatient per diem, a calculated disproportionate share adjustment and a calculated supplemental disproportionate share adjustment less the amount of expenditures certified by the Hospital. These reimbursable rates are to be recalculated annually on October 1 of each year in accordance with the Illinois Administrative Code (89 Ill. Admin. Code 148.120 and 170).

The Department did not recalculate the total per diem rate or the Hospital inpatient payment rate for rate year 2009 (October 1, 2008 through September 30, 2009). During the 2009 fiscal year, the Department utilized the rates that were used during rate year 2008. The 2009 rates should have been updated by October 1, 2008.

On December 4, 2008, the Department received approval from the Centers for Medicare and Medicaid Services for an amendment to the Medicaid State Plan, which changed the methodology for reimbursing the Hospital and was retro-active as of July 1, 2008.

The Department did not update the methodology for reimbursing the Hospital to agree with the Medicaid State Plan amendment until fiscal year 2010. Throughout fiscal year 2009, the Department continued to reimburse the Hospital using the total per diem rate and the Hospital inpatient payment rate used during rate year 2008. Due to the Department using 2008 rates, the Hospital was overpaid \$5,600,000 during fiscal year 2009. In addition, the Department failed to amend the Interagency Agreement to reflect the new methodology for reimbursing the Hospital.

Department management stated that they believe circumstances involving changes to the Medicaid State Plan created what is expected to be a one-time delay in implementation.

Failure to use the correct rates and reimbursement methodology is noncompliance with the Interagency Agreement. (Finding Code No. 09-3, 08-6)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (*GOVERNMENT AUDITING STANDARDS*)**  
For the Year Ended June 30, 2009

**RECOMMENDATION**

We recommend the Department implement additional internal control procedures to ensure that correct reimbursement rates are used and updated in a timely manner.

**DEPARTMENT RESPONSE**

The Department accepts the finding. The Department will move to update its processes and implement sufficient controls to ensure timely updating and notification of rates to the provider. The uncertain nature of the rate methodology and timing shift that occurred with approval of State Plans 08-06 and 08-07 created what is expected to be a one-time delay in implementation. Since the Department adjusted the University's rates to be consistent with the State Plan requirements, federal funding was not affected.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (GOVERNMENT AUDITING STANDARDS)**  
For the Year Ended June 30, 2009

09-4. **FINDING** (Incorrect health insurance premium rates charged)

The Illinois Department of Healthcare and Family Services (Department) did not charge the correct health insurance premium rates for the Teachers' Retirement Insurance Program.

The Department set the fiscal year 2009 health insurance premium rates for Teachers' Retirement System benefit recipient and dependent beneficiaries by increasing the prior year rate by 5%. The Department did not take into account the percentage that was to be paid by the Teacher Health Insurance Security Fund. As a result, we noted that the Department did not have an adequate rate-setting methodology used to determine the amount of the health care premiums to be charged. In addition, the Department did not present the rate-setting methodology (included but not limited to utilization levels and costs) used to determine health care premiums to the Teachers' Retirement System by April 15<sup>th</sup> as required.

We also noted the following 2009 premium rates of Teachers' Retirement Insurance Program health insurance were not in compliance with parameters established in State statute.

- The monthly health insurance premium rate charged to a Teachers' Retirement System benefit recipient for ages twenty-three through sixty-four selecting the medical coverage program was \$206.77; however, the health insurance premium rate should have only been \$205.12. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e) and (e)(1)) requires that the Teacher Health Insurance Security Fund pay 75% of the total insurance rate for this type of coverage. This means that the health insurance premium rate charged to a recipient should only be 25% of the insurance rate; however, State statute also requires the premium charged may not exceed 105% of the premium actually charged in the previous fiscal year. The insurance rate determined by the Department for this category was \$820.49. The health insurance premium rate charged in fiscal year 2008 to the Teachers' Retirement System benefit recipients in this category was \$196.92. The benefit recipients were overcharged a total of \$19,744 during fiscal year 2009.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (GOVERNMENT AUDITING STANDARDS)**  
For the Year Ended June 30, 2009

- The monthly health insurance premium rate charged to a Teachers' Retirement System benefit recipient for ages sixty-five and over selecting the medical coverage program was \$310.97; however, the health insurance premium rate should have only been \$307.38. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e) and (e)(1)) requires that the Teacher Health Insurance Security Fund pay 75% of the total insurance rate for this type of coverage. This means that the health insurance premium rate charged to a recipient should only be 25% of the insurance rate; however, State statute also requires the premium charged may not exceed 105% of the premium actually charged in the previous fiscal year. The insurance rate determined by the Department for this category was \$1,229.52. The health insurance premium rate charged in fiscal year 2008 to the Teachers' Retirement System benefit recipients in this category was \$296.16. The benefit recipients were overcharged a total of \$6,570 during fiscal year 2009.
  
- The monthly health insurance premium rate charged to a Teachers' Retirement System benefit recipient for ages twenty-three through sixty-four selecting the major medical coverage program was \$413.53; however, the health insurance premium rate should have only been \$410.25. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e) and (e)(2)) requires that the Teacher Health Insurance Security Fund pay 50% of the total insurance rate for this type of coverage. This means that the health insurance premium rate charged to a recipient should only be 50% of the insurance rate; however, State statute also requires the premium charged may not exceed 105% of the premium actually charged in the previous fiscal year. The insurance rate determined by the Department for this category was \$820.49. The health insurance premium rate charged in fiscal year 2008 to the Teachers' Retirement System benefit recipients in this category was \$393.84. The benefit recipients were overcharged a total of \$297,703 during fiscal year 2009.
  
- The monthly health insurance premium rate charged to a Teachers' Retirement System benefit recipient for ages sixty-five and over selecting the major medical coverage program was \$621.93; however, the health insurance premium rate should have only been \$614.76. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e) and (e)(2)) requires that the Teacher Health Insurance Security Fund pay 50% of the total insurance rate for this type of coverage. This means that the health insurance premium rate charged to a recipient should only be 50% of the insurance rate; however, State statute also requires the premium charged may not exceed 105% of the premium actually charged in the previous fiscal year. The insurance rate determined by the Department for this category was \$1,229.52. The health insurance premium rate charged in fiscal year 2008 to the Teachers' Retirement System benefit recipients in this category was \$592.31. The benefit recipients were overcharged a total of \$61,103 during fiscal year 2009.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (GOVERNMENT AUDITING STANDARDS)**  
For the Year Ended June 30, 2009

- The monthly health insurance premium rate charged to a Teachers' Retirement System dependent beneficiary who is Medicare primary was \$252.09; however, the health insurance premium rate should have only been \$232.43. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e) and (e)(3.1)) requires that the Teacher Health Insurance Security Fund pay 25% of the total insurance rate for this type of coverage. This means that the health insurance premium rate charged to a recipient should only be 75% of the insurance rate; however, State statute also requires the premium charged may not exceed 105% of the premium actually charged in the previous fiscal year. The insurance rate determined by the Department for this category was \$309.90. The health insurance premium rate charged in fiscal year 2008 to the Teachers' Retirement System dependent beneficiary in this category was \$240.09. The benefit recipients were overcharged a total of \$499,914 during fiscal year 2009.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.5(e)) requires the Director of the Department of Central Management Services to determine the insurance rates and premiums for Teachers' Retirement System benefit recipients and dependent beneficiaries, and present to the Teachers' Retirement System of the State of Illinois, by April 15<sup>th</sup> of each calendar year, the rate-setting methodology (including but not limited to utilization levels and costs) used to determine the amount of the health care premiums.

However, Executive Order 2005-3, *Executive Order to Reorganize Agencies by the Transfer of Certain Healthcare Procurement and Administrative Functions Primarily of the Department of Central Management Services to the Department of Healthcare and Family Services* issued by the Governor on April 1, 2005 transferred the respective powers, duties, rights and responsibilities related to State Healthcare Purchasing from various departments, including CMS, to the Department of Healthcare and Family Services. The Executive Order states the statutory powers, duties, rights and responsibilities of the various agencies, including CMS, derive from various statutes including 5 ILCS 375 et seq. The functions associated with State Healthcare Purchasing intended to be transferred included rate development.

Department management stated that they did not interpret the statute as requiring premiums to be determined by both an increase of no more than 5% of the prior year and the amount to be paid by the Teacher Health Insurance Security Fund. The Departments' failure to present the rate-setting methodology to the Teachers' Retirement System by April 15 was purely oversight.

Failure to charge the correct premium rates to recipients is noncompliance with State statute. (Finding Code No. 09-4, 08-7)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (*GOVERNMENT AUDITING STANDARDS*)**  
For the Year Ended June 30, 2009

**RECOMMENDATION**

We recommend the Department ensure health insurance premium rates are set for the Teachers' Retirement Insurance Program as required by the State Employees Group Insurance Act of 1971. We also recommend the Department ensure adequate rate setting methodologies are established and make annual required reports to the Teachers' Retirement System.

**DEPARTMENT RESPONSE**

The Department accepts the recommendation. The Department will ensure health insurance premium rates are set for the Teachers' Retirement Insurance Program as required by the statute. Furthermore, the Department will submit the rate-setting methodology (including but not limited to utilization levels and costs) used to determine the amount of the health care premiums to the Teachers Retirement System by April 15, 2010.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

09-5. **FINDING** (Inadequate controls over personal services)

The Illinois Department of Healthcare and Family Services (Department) did not have adequate controls over personal services. We noted the following:

- The Department did not timely complete performance evaluations for 13 of 60 (22%) employees tested. The performance evaluations were performed between 33 and 167 business days late. The Illinois Administrative Code (80 Ill. Admin. Code 302.270 (d)) requires that, for a certified employee, each agency shall prepare an employee performance evaluation not less often than annually. In addition, the Illinois Administrative Code (80 Ill. Admin. Code 310.450(c)) requires that evaluations be completed prior to when annual merit increases are awarded. Further, the Illinois Administrative Code (80 Ill. Admin. Code 302.270 (b)) requires the Agency to prepare two evaluations for employees serving a six-month probationary period, one at the end of the third month and one fifteen days before the conclusion of the employee's six-month probationary period. The Department's Employee Handbook (Section 110.2) requires an employee to serve a six-month probationary period when you start service or advance to a higher position from a competitive list of eligible candidates. Department management stated that the Division of Personnel and Administrative Services sends reminders when evaluations are due and will not process any Merit Compensation personnel transactions (i.e., promotions, separations, transfers, etc.), with the exception of address changes, if the employee's performance appraisal is past due.
- During our review of employee timesheets, we noted that 4 of 60 (7%) employees had timesheets that were not filled out correctly. The timesheets did not indicate the number of hours worked and/or the number of leave hours used each day. The Department's Employee Handbook (Section 120.5) requires that bargaining unit employees enter the time the employee arrived and departed on an "Employee Daily Time Log" (HFS 163) and the designated timekeeper is responsible for calculating the number of hours worked and/or the number of leave hours used each day. The Department's Employee Handbook (Section 120.5) also requires that attendance for merit compensation employees be tracked by a designated timekeeper on a HFS 163A. Further, supervisors are responsible for ensuring that HFS 163A is accurately completed each workday for each payroll distribution group containing merit compensation employees they supervise. In addition, we noted 5 of 60 (8%) employees timesheets tested had "Healthcare and Family Services' Ethics Time Sheets" (HFS 163MC) that did not agree to the timekeepers "MC Employee Daily Roster" (HFS 163A). The Illinois Administrative Code (80 Ill. Admin. Code 303.340) requires each operating agency maintain accurate, daily attendance records. Department management stated that the errors were due to oversight.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

- During our review of employee absences, we noted that 7 of 60 (12%) employees with absences during work hours had “Employee Absence Request/Reports” Form (HFS 2053) that were not completed by the employee and/or approved by the supervisor prior to the absence. The HFS 2053 forms were signed from 2 to 95 business days after the absence. The Department’s Employee Handbook (Section 205.2 (A)) requires that, for scheduled absences, employees must request time off in advance of the date its use is planned and the employee’s immediate supervisor must approve or deny the request. In addition, we noted 9 of 60 (15%) employees that used sick time had HFS 2053 forms that were not completed by the supervisor the same day of the absence. The HFS 2053 forms were completed from 2 to 9 business days after the absence. The Department’s Employee Handbook (Section 205.2 (B)) requires that, for unscheduled absences, the employee must notify their immediate supervisor within one hour of the start of the work shift and the immediate supervisor (or the designee) completes the proper form on the day of the absence showing the date, amount and type of time that has been requested to be applied towards the absence. Department management stated that the errors were due to oversight.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. By not ensuring performance appraisals are completed in a timely manner, the Department is in noncompliance with State rules, which might result in missing information that could be relevant to subsequent personnel decisions. In addition, failure to fill out timesheets correctly increases the likelihood that Department records are inaccurate. Further, failure of employees to sign and supervisors to timely approve requests for employee’s absences limits management’s ability to disapprove the time if necessary, increases the risk of errors in benefit time calculations, and is noncompliance with the Department’s policies and procedures. (Finding Code No. 09-5, 08-11, 07-11, 06-6, 05-1)

**RECOMMENDATION**

We recommend the Department follow current procedures and comply with the Illinois Administrative Code by conducting employee performance evaluations in a timely manner. Further, we recommend the Department comply with the Department’s Employee Handbook and ensure employee timesheets are filled out correctly and employees sign and supervisors approve employee absences prior to their requested time off or the day of the absence.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

**DEPARTMENT RESPONSE**

The Department accepts the finding. The Division of Personnel and Administrative Services will continue to send out notifications monthly indicating when evaluations are due. The Department will make every effort to ensure the forms associated with timekeeping are reviewed for accuracy and employee's absences are approved in advance or within a reasonable time frame. The Division of Personnel and Administrative Services sent staff a reminder on February 25, 2010 to ensure these documents are completed timely and accurately.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

09-6. **FINDING** (Failure to comply with interagency agreements)

The Illinois Department of Healthcare and Family Services (Department) did not follow the Department's responsibilities as specified in an interagency agreement.

The Department did not coordinate with the Department of Veterans' Affairs (DVA) to develop written policies and procedures in order to implement the Illinois Warrior Assistance Program. Also, the Department did not transfer \$4 million to the Veterans Assistance Fund or provide DVA with quarterly reports that indicated the estimated yearly costs for the Illinois Warrior Assistance Program.

The interagency agreement between the Department and DVA requires the Department to:

- work with DVA to coordinate internal and interagency procedures to facilitate the necessary implementation of the Illinois Warrior Assistance Program that will provide for screening and treatment of traumatic brain injury and post-traumatic stress disorder.
- transfer \$4 million to the Veterans Assistance Fund to be used in the operation of the Illinois Warrior Assistance Program, and
- provide DVA each fiscal quarter an updated estimate of the cost of the Illinois Warrior Assistance Program projected as of the end of the fiscal year, a report of the total number of actual enrollees in the program, and an updated estimate of the projected cumulative number of enrollees as of the end of the fiscal year.

Department management stated the Illinois Warrior Assistance Program (IWAP) expenditures were considerably less than the cost projections. As a result, the Department determined that it was not necessary to transfer \$4 million to the Veteran's Assistance Fund.

The lack of formal written procedures can lead to inconsistencies in implementing and administering the Illinois Warrior Assistance Program. In addition, \$279,981 was expended from the General Revenue Fund instead of the Veterans Assistance Fund as intended by the agreement. Failure to comply with the interagency agreement results in funds being expended in a way contrary to their intended purpose. Further, failure to provide quarterly reports to the Department of Veterans' Affairs does not allow for proper monitoring of enrollees and costs associated with Illinois Warrior Assistance Program. (Finding Code No. 09-6, 08-12, 07-12)

**RECOMMENDATION**

We recommend the Department comply with all responsibilities specified in the interagency agreement.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

**DEPARTMENT RESPONSE**

The Department accepts the finding. The Department and the Illinois Department of Veterans' Affairs (IDVA) continue to communicate and monitor the administration of the Illinois Warrior Assistance Program on a bi-weekly basis. The interagency agreement between the Department and IDVA will be amended to reflect current policies and procedures. The current policies and procedures have been drafted and are currently under review.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

09-7. **FINDING** (Noncompliance with the Alternative Healthcare Delivery Act)

The Illinois Department of Healthcare and Family Services (Department) failed to comply with the provisions of the Alternative Healthcare Delivery Act (Act).

The Department has not implemented a reimbursement methodology for all services noted in the Act. In addition, the Department did not keep a record of services provided under the program or submit an annual report of that information to the Illinois Department of Public Health (IDPH).

The Alternative Healthcare Delivery Act was intended to foster new innovations in health care delivery through the development of demonstration projects to license and study alternative health care delivery systems. The Alternative Healthcare Delivery Act (210 ILCS 3/30) requires the Department to cooperate with IDPH to develop and implement a reimbursement methodology for all facilities in the demonstration program. In addition, the Department is required to keep a record of services provided under the demonstration program and to submit an annual report of that information to IDPH.

Department management stated that reimbursement methodologies for providers defined under the Alternative Healthcare Delivery Act have been established for respite care services and data supporting such payments is maintained by the Department. The Department has not established reimbursement methodologies for other types of providers under the Act, since it currently has no appropriation authority to make such payments.

Failure to implement the reimbursement methodology, keep a record of the services, and submit an annual report to IDPH could result in the failure to identify the benefits and efficiencies in the delivery of alternative models of health care delivery and further savings in that area. (Finding Code No. 09-7, 08-15, 07-15, 06-10, 05-8)

**RECOMMENDATION**

We recommend the Department, in coordination with IDPH, implement a reimbursement methodology for all facilities in the demonstration program, keep records of services, and submit an annual report to IDPH.

**DEPARTMENT RESPONSE**

The Department accepts the finding; however, the Department cannot establish reimbursement methodologies unless it has appropriation authority to make such payments. The Department will continue to review provider categories established under the Act and assess the extent to which any could potentially qualify for federal matching dollars. If the Department receives appropriations for any new class of providers, the Department shall establish reimbursement rates at that time.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

09-8. **FINDING** (External peer-based quality assurance contractor not located in Illinois)

The Illinois Department of Healthcare and Family Services (Department) contracted with an entity to provide external peer-based quality assurance reviews for the managed health care programs administered by the Department; however, the entity did not have offices in Illinois, nor did the entity have Illinois physicians involved in the review process.

The Illinois Public Aid Code (Code) (305 ILCS 5/5-11(b)) requires the entity contracted to provide external peer-based quality assurance reviews to be representative of Illinois physicians licensed to practice medicine in all its branches and have statewide geographic representation in all specialties of medical care that are provided in managed health care programs administered by the Department. In addition, the Code requires the entity to maintain offices in locations around the State in order to provide service and continuing medical education to physician participants within those managed health care programs administered by the Illinois Department. The review process shall be developed and conducted by Illinois physicians licensed to practice medicine in all its branches.

Department management stated that they followed the Procurement Code competitive bidding process to secure a contractor that met federal requirements. The winning bidder was not Illinois based.

Failure to contract with an entity that does not have statewide geographic representation and is not representative of Illinois physicians is noncompliance with the Illinois Public Aid Code. (Finding Code No. 09-8)

**RECOMMENDATION**

We recommend the Department comply with the Illinois Public Aid Code by ensuring the entity contracted to provide external peer-based quality assurance reviews is representative of physicians licensed to practice medicine in Illinois and has statewide geographic representation in all specialties of medical care that are provided in managed health care programs administered by the Department. In addition, we recommend the review process be developed and conducted by Illinois licensed physicians.

**DEPARTMENT RESPONSE**

The Department accepts the finding. Although the current contractor to provide external peer-based quality assurance reviews for the managed health care programs meets federal requirements, the Department will seek another vendor that complies with the statute to review the one Managed Care Community Network operating in the State.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

- 09-9. **FINDING** (Contract with a community mental health services provider not established)

The Illinois Department of Healthcare and Family Services (Department) failed to contract with a provider of community mental health services or utilize up to \$2,000,000 of the Fiscal Year 2009 appropriations for the purpose of supporting the implementation of time-limited resident review and rapid reintegration.

The Illinois Public Aid Code (305 ILCS 5/12-10.8) requires the Department, subject to appropriations, to enter into a contract with a provider of community mental health services that has more than 700 beds at over 30 service locations in multiple counties for the purpose of supporting the implementation of time-limited resident review and rapid reintegration targeted to residents of federally defined Institutions for Mental Disease. Furthermore, the Illinois Public Aid Code (305 ILCS 5/12-10.9) states that the Department shall utilize up to \$2,000,000 of the Fiscal Year 2009 appropriations for federally defined Institutions for Mental Disease to pay providers of community mental health services that are certified by the Department of Human Services and are located in DHS Division of Mental Health Region 1 North. During fiscal year 2009, the Department received \$134,987,100 in appropriations for federally defined Institutions for Mental Disease.

Department management stated that they have been working with the Department of Human Services, Office of Mental Health to obtain a commitment to fund services for the identified individuals moving from the institutional setting on an ongoing basis following the initial year of HFS funding. Without such a commitment the likelihood of a successful transition and continuity of services for participating individuals could be in jeopardy. Therefore, the Department delayed execution of the contract until this could be resolved.

Failure to enter into a contract with the provider of community mental health services and utilize Fiscal Year 2009 appropriations is noncompliance with the Illinois Public Aid Code and jeopardizes the likelihood of successful transition and continuity of services for participating individuals. (Finding Code No. 09-9)

**RECOMMENDATION**

We recommend the Department comply with the Illinois Public Aid Code by procuring a contract with a provider of community mental health services for the purpose of supporting the implementation of time-limited resident review and rapid reintegration.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

**DEPARTMENT RESPONSE**

The Department accepts the finding. Though discussions ensued with the intended community provider and the Department of Human Services, Office of Mental Health (DHS), the Department did not proceed with a contract due to the uncertainty of ongoing service funding to this high need population following the initial year of HFS funding. The issue was further complicated by the State's negotiations with the plaintiffs in the Williams class action lawsuit. To remedy this finding, the Department will seek to amend this provision to comport with provisions of the lawsuit settlement.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

09-10. **FINDING** (Failure to create a health care advocates committee)

The Illinois Department of Healthcare and Family Services (Department) did not jointly create an interagency committee with the Department of Human Services (DHS) to act as health care advocates.

The Illinois Public Aid Code (305 ILCS 5/9A-9.5) requires the Department and DHS to jointly establish an interagency committee to do the following:

- assist the departments in making recommendations on incorporating health care advocates into education, training, and placement programs.
- develop more outreach and educational programs to help TANF families make informed decisions about health insurance and health care.
- develop methods to simplify the process of applying for medical assistance.

Department management stated that they continue to communicate with DHS concerning the establishment of the required interagency committee.

Failure to establish an interagency committee with the Department of Human Services is noncompliance with the Illinois Public Aid Code. (Finding Code No. 09-10, 08-17)

**RECOMMENDATION**

We recommend the Department comply with the Public Aid Code by establishing an interagency committee with the Department of Human Services to act as health care advocates.

**DEPARTMENT RESPONSE**

The Department accepts the finding. The Department has designated a Healthcare and Family Services' member to serve on the jointly established committee for the purpose of assisting the Department in making recommendations on incorporating health care advocates into education, training, and placement programs. The Department will continue to work with DHS to establish the new committee in coordination with already existing committees.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

09-11. **FINDING** (Noncompliance with the Disabilities Services Act)

The Illinois Department of Healthcare and Family Services (Department) failed to comply with the provisions of the Disabilities Services Act of 2003.

The Department did not submit the annual Medical Assistance Program report to the Governor and the General Assembly on or before April 1. Additionally, the Department did not make the 2008 annual Medical Assistance Program report available to the public on the Department's website.

The Disabilities Services Act of 2003 (Act) (20 ILCS 2407/55) requires the Department to report to the Governor and the General Assembly on the implementation of the Act on or before April 1 of each year. Further, the Act requires the report to be made available to the general public, including via the Departmental website.

Department management stated that new data elements were added to an existing report in order to comply with the Act. Distribution to the Governor's office and posting on the Department's web site were not part of the existing report's requirements. Staff were not aware of the additional requirements per this statute.

Failure to submit the annual Medical Assistance Program report to the Governor and the General Assembly on or before April 1, and failure to make the latest report available on the Department's website is noncompliance with the Disabilities Services Act of 2003. (Finding Code No. 09-11)

**RECOMMENDATION**

We recommend the Department comply with the Disabilities Services Act of 2003 by strengthening controls to ensure that the Department submits the annual Medical Assistance Program report to the Governor and the General Assembly on or before April 1, and makes the latest report available to the general public, via the Department's website.

**DEPARTMENT RESPONSE**

The Department accepts the finding and has implemented internal controls to ensure the annual Medical Assistance Program report is submitted to the Governor and the General Assembly on or before April 1. The most recent report has been made available to the general public, via the Department's website.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

09-12. **FINDING** (Untimely Medicaid annual report)

The Illinois Department of Healthcare and Family Services (Department) did not comply with the State Finance Act (Act).

The Department did not submit a required annual report which documented information in regard to the State's Medicaid Program until 29 days after the report was due.

The State Finance Act (30 ILCS 105/25(e)) requires the Department to annually submit to the State Comptroller, Senate President, Senate Minority Leader, Speaker of the House, House Minority Leader, the respective Chairman and Minority Spokesmen of the Appropriations Committees of the Senate and the House a report that shall document by program or service category those expenditures from the most recently completed fiscal year used to pay for (i) services provided in prior fiscal years and (ii) services for which claims were received in prior fiscal years. The Act (30 ILCS 105/25(g)) also requires each annual report to include information relating to the State's Medicaid program, including (1) explanations of the exact causes of variances from year to year, (2) factors affecting the Department's liabilities and (3) the results of the Department's efforts to combat fraud and abuse. The report must be submitted annually, on or before November 30<sup>th</sup>.

Department management stated the delay was the result of the levels of review and scrutiny required due to the overall material impact on the State's financial position.

Failure to timely file the required report is non-compliance with the State Finance Act. (Finding Code No. 09-12, 08-14)

**RECOMMENDATION**

We recommend the Department comply with the State Finance Act by ensuring that reports are filed in a timely manner.

**DEPARTMENT RESPONSE**

The Department accepts the finding. The report due November 30, 2009 was filed timely.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

09-13. **FINDING** (Pilot project not implemented)

The Illinois Department of Healthcare and Family Services (Department) failed to comply with the provisions of the Illinois Public Aid Code.

As of June 30, 2009, the Department had not implemented a pilot project that was required by Public Act 95-248, effective August 17, 2007.

The Illinois Public Aid Code (305 ILCS 5/5-2.4) requires the Department to operate a pilot project to determine the effect of raising the income and non-exempt asset eligibility thresholds for certain persons with disabilities to determine if those persons are able to maintain their homes in the community and avoid institutionalization.

Department management stated that staff has committed significant time and effort to develop the program and operations procedures but have not yet implemented the pilot project.

Failure to implement and operate the pilot project is noncompliance with the Illinois Public Aid Code. (Finding Code No. 09-13)

**RECOMMENDATION**

We recommend the Department comply with the Illinois Public Aid Code by implementing and operating the pilot project in a timely manner.

**DEPARTMENT RESPONSE**

The Department accepts the finding and will continue to work toward implementation of the pilot project.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)**  
For the Year Ended June 30, 2009

A.     **FINDING**     (Third party internal control reviews not obtained)

During the prior audit, the Illinois Department of Healthcare and Family Services (Department) did not obtain an independent internal control review of its third parties involved with the processing of health insurance claims for three of the six service providers contracted by the Department.

During the current audit, the Department obtained all six third party independent internal control reviews. (Finding Code No. 08-2)

B.     **FINDING**     (Incomplete and inaccurate census data)

During the prior audit, the Illinois Department of Healthcare and Family Services (Department) did not have adequate controls over data provided to the actuary for financial statement valuations.

During the current audit, the Department implemented additional internal controls to address the census data provided to the actuary. (Finding Code No. 08-3)

C.     **FINDING**     (No controls over Community College Health Insurance Security Fund contributions)

During the prior audit, the auditors noted that the State of Illinois did not have sufficient controls to ensure all contributions required by the State Employees Group Insurance Act of 1971 were paid into the Community College Health Insurance Security Fund (Fund). The State Universities Retirement Systems (SURS) is required to collect the contributions from community colleges as a service agent to the Department of Central Management Services and promptly deposit such collections into the Fund. However, the Illinois Department of Healthcare and Family Services (Department) has accepted responsibility for preparing the Fund's financial statements.

The Department does not collect the contributions; however, they had taken responsibility for the Fund's financial reporting. As a result, to obtain evidential matter concerning the Fund's contributions, the Department requested information from all community colleges. Specifically, the Department obtained a written confirmation of the college's total payroll and the amount of contributions that were submitted to SURS. The Department recalculated the total contribution amount using the payroll information and determined the amount that should have been deposited. The Department compared their calculated amount to the amount actually submitted to SURS. No material differences were noted. The Department has taken additional steps in addressing contributions they report in the Fund's financial statements. (Finding Code No. 08-4)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**PRIOR FINDINGS NOT REPEATED (*GOVERNMENT AUDITING STANDARDS*)**  
For the Year Ended June 30, 2009

D.     **FINDING**     (Inappropriate use of appropriation authority)

During the prior audit, the Illinois Department of Healthcare and Family Services (Department) made inappropriate payments of Workers' Compensation Act claims from its appropriation for health care coverage per the State Employees Group Insurance Act of 1971.

During the current audit, Public Act 95-0744 amended the State Employees Group Insurance Act of 1971 (5 ILCS 375/13.1(d)) by including the provision that the payment of medical expenses incurred by the Department for the treatment of employees who suffer accidental injury or death within the scope of their employment may be paid from its appropriation for health care coverage per the State Employees Group Insurance Act of 1971. (Finding Code No. 08-5, 07-2)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

E. **FINDING** (Hospital improvement access payments not paid timely)

During the prior audit, the Illinois Department of Healthcare and Family Services (Department) did not pay the first 3 quarterly payments for fiscal year 2008 hospital improvement access payments on a timely basis.

During the current audit, the Department paid all fiscal year 2009 hospital improvement access payments on a timely basis as required by the Illinois Public Aid Code. (Finding Code No. 08-8, 07-3)

F. **FINDING** (Voucher processing weaknesses)

During the prior audit, the Illinois Department of Healthcare and Family Services (Department) paid a total of \$1,802,549 for supplies and services out of the incorrect fiscal year's appropriation and did not timely approve internal service vouchers for payment.

During the current audit, the Department increased their internal controls over payments including timely approval. Our sample testing did not disclose any payments made from the wrong fiscal year. (Finding Code No. 08-09, 07-6, 06-3)

G. **FINDING** (Grants not approved or refunds received timely)

During the prior audit, the Illinois Department of Healthcare and Family Services (Department) did not approve grant agreements or receive grant refunds for the Low Income Home Energy Assistance Program (LIHEAP) and Illinois Home Weatherization Assistance Program (IHWAP) in a timely manner.

During the current audit, the Department made significant improvements in obtaining signatures on grant agreements prior to execution and obtaining refunds in accordance with the Grant Funds Recovery Act. Also, effective March 24, 2009, Executive Order 2 (2009) transferred the LIHEAP and IHWAP Programs back to the Department of Commerce and Economic Opportunity. (Finding Code No. 08-10, 07-9, 06-7)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)**  
For the Year Ended June 30, 2009

H. **FINDING** (University of Illinois Hospital not notified of revised rates)

During the prior audit, the Illinois Department of Healthcare and Family Services (Department) did not timely notify the University of Illinois Hospital (Hospital) of the rates that would be used for rate year 2007, and did not notify the Hospital of the 2008 rates. Also, the Department did not notify the Hospital of a change in rates during rate year 2008.

During the current audit, the rates used to reimburse the Hospital did not change from rate year 2008 to rate year 2009. Thus, a letter notifying the Hospital of updated rates was not necessary. However, we did note other issues while performing tests of Hospital transactions. See Audit Finding 09-3 for additional information. (Finding Code No. 08-13).

I. **FINDING** (Noncompliance with the Illinois Latino Family Commission Act)

During the prior audit, the Illinois Department of Healthcare and Family Services (Department) did not appoint a liaison to serve on the Illinois Latino Family Commission (Commission) as required by the Illinois Latino Family Commission Act.

During the current audit, the Department appointed a liaison to this Commission. (Finding Code No. 08-16)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
For the Year Ended June 30, 2009

As part of the Fiscal Year 2009 Illinois Department of Healthcare and Family Services (Department) engagement, we followed up on the status of two management audits. These include:

- Program and Management Audit of the Illinois Department of Public Aid KidCare Program (Released July 2002); and
- Management Audit of the Illinois Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process (Released May 2008).

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**KIDCARE PROGRAM**  
For the Year Ended June 30, 2009

**Program and Management Audit of the Illinois Department of Public Aid KidCare Program**

The Illinois Department of Healthcare and Family Services (Department) (formerly the Department of Public Aid) has fully implemented six recommendations; however, it had not fully implemented the remaining recommendation contained in the OAG's *Program and Management Audit of the Illinois Department of Public Aid's KidCare Program*, released in July 2002. The program and management audit tested a variety of KidCare areas including: the enrollment process, KidCare spending, eligibility cards, case files, outreach and advertising, contractor effectiveness, bid status of contracts, and the overall health of enrolled children. The program and management audit was conducted pursuant to Senate Resolution 152.

The following discusses the status of the remaining recommendation not implemented from the 2002 program and management audit. The action taken by the Department to implement the recommendation is also described below.

- The Department should continue its planned conversion to permanent durable eligibility cards in order to realize significant cost savings to the State as well as improved program effectiveness. (Program and Management Audit Recommendation Number 1)

*Status:* The Department has been advised that technology limitations have been addressed to the extent that the State should be able to expand the MEDI system sufficiently to handle the significant increase in volume of queries that eliminating the monthly care is expected to generate. The Department has been concerned that a lack of MEDI capacity would result in clients not being able to obtain timely access to necessary medical care. Now that the capacity issue has been resolved, the Department will proceed to develop an implementation plan.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

**Illinois Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process**

Legislative Audit Commission Resolution Numbers 136 and 137 directed the Office of the Auditor General to conduct performance audits of the Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process. The audit was released in May 2008 and contained 13 recommendations. This is the second follow-up completed by the Office of the Auditor General. We reviewed the eight outstanding recommendations from the previous follow-up. The Summary of Recommendation Status chart shows that HFS implemented or partially implemented 6 of the remaining 8 recommendations.

<b>Summary of Recommendation Status</b>			
<b>Recommendations</b>	<b>Implemented?</b>		
	<b>Yes</b>	<b>Partially</b>	<b>No</b>
Prompt Payment Act Interest Calculation			<b>X</b>
Expedited Payment Process		<b>X</b>	
One-Time Drop Payments	<b>X</b>		
Rejected Claim Notification		<b>X</b>	
Rejected Claim Resubmission Policy		<b>X</b>	
Notification for Denied Interest Requests		<b>X</b>	
Exclusion of Interest Payments		<b>X</b>	
Interest Payment Timeliness			<b>X</b>
<b>Totals</b>	<b>1</b>	<b>5</b>	<b>2</b>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

<b>Recommendation:</b>	<b>Prompt Payment Act Interest Calculation</b>
<b>Recommendation No.:</b>	<b>1</b>

Synopsis of  
Prior Finding:

The methodology used by the Department of Healthcare and Family Services (HFS) to calculate prompt payment interest has been challenged by a group of long term care facilities through the Court of Claims. The claimants' position is that the method of calculating interest in Administrative Rule is inconsistent with the method of calculation prescribed by the Prompt Payment Act (Act). The Administrative Rule states that, "Interest is calculated at the rate of 1% per month. This results in a daily interest factor of .00033 (01/30)." The Act states that, "An interest penalty of 1.0% of any amount approved and unpaid shall be added for each month or fraction thereof after the end of this 60 day period, until final payment is made."

In May 2007, the Court of Claims ruled in favor of the claimants that a per month calculation should be used. The Court's interpretation of the Act is that a full 1 percent interest must be paid for the 6 days. As a result, HFS paid these long term care facilities interest totaling \$1.6 million as opposed to \$1.1 million it would have paid following the interest calculation method prescribed by Administrative Rule.

An official from the Office of the General Counsel at HFS noted that HFS agrees with the opinion of the Court. Additionally, HFS officials from the Bureau of Claims Processing stated that HFS is bound by the Administrative Rule and is only applying the per month calculation on a case by case basis for those seeking interest payments through the Court of Claims.

We recommended that the Office of the Comptroller, the Department of Central Management Services, and the Department of Healthcare and Family Services should immediately resolve the differences in interpretations between the Administrative Rule (74 Ill. Adm. Code 900.100) and the Prompt Payment Act (30 ILCS 540/3-2) regarding the method used to calculate prompt payment interest.

Status:  
***Not Implemented***

HFS noted that differences in interpretations have not been resolved.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

<b>Recommendation:</b>	<b>Expedited Payment Process</b>
<b>Recommendation No.:</b>	<b>4</b>

Synopsis of  
Prior Finding:

HFS did not have any written policies, procedures, or guidelines that delineate what documentation a provider must submit to HFS to receive expedited payments. Additionally, HFS had no policies or procedures that delineate the review process used to determine whether a provider initially meets, and continues to meet, the eligibility requirements of the Administrative Rule. HFS also lacked a comprehensive policy as to whether a provider needs to enter into an agreement with HFS to receive expedited payments.

From the 2,058 providers that were expedited as of October 18, 2007, we randomly sampled 66 providers. HFS had current signed agreements with 24 of the 66 providers sampled. The following issues were identified:

- **Lack of documentation to substantiate the emergency nature of the request.** For the 24 providers sampled that had current signed agreements, 19 did not have documentation from the providers for HFS to verify that the providers met the Administrative Rule's requirements to substantiate the emergency nature of the request. The only documentation was a letter from the providers attesting that they met the eligibility requirements;
- **Lack of documentation of the number of Medicaid clients served.** For 22 of the 24 providers sampled that had current signed agreements, there was no documentation to support that the provider met the significance requirements related to the number of Medicaid clients served as required by the Administrative Rule; and
- **Outdated agreements and provider lists.** HFS did not have an annual application process to be an expedited provider for long term care and maternal and child health providers to ensure that the providers continue to meet the eligibility requirements. Additionally, expedited provider lists from Mt. Sinai and the University of Illinois at Chicago hospitals were not updated regularly by HFS.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

We recommended that HFS develop written policies and procedures for reviewing, documenting, and approving all expedited providers to ensure that only providers that are eligible by the Administrative Rule receive expedited payments; and ensure provider agreements and provider lists are updated regularly for all expedited payments.

Status:

***Partially Implemented***

HFS provided auditors with documentation titled Expedited Payment Requests Procedures. The document lists steps to be taken to determine eligibility for expedited providers. These include checking the provider eligibility, the dollar amount pending, and the age of the claims. HFS also provided policies and procedures for expediting long-term care providers. These policies now require an annual eligibility review of long-term care providers' expedited status.

These procedures appear to require providers to submit "supportive documentation to substantiate the emergency nature of the request" as required by the Administrative Rule (89 Ill. Adm. Code 140.71(b)(3)(A)(ii)). However, according to HFS officials, HFS only requires providers to submit letters of need, which includes what percentage of their patient revenue is attributable to Illinois Medicaid, the reason expedited payments are needed, and the consequences if expedited payments are not received.

HFS officials noted that the expedited lists for both the University of Illinois at Chicago and at Mt. Sinai Hospital are now annually renewed. Also, HFS noted that they have signatures on file for each of the physicians.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

<b>Recommendation:</b>	<b>One-Time Drop Payments</b>
<b>Recommendation No.:</b>	<b>5</b>

Synopsis of  
Prior Finding:

HFS used a poorly defined process to expedite payments to certain providers. These payments, referred to as “one-time drop” payments, were made to providers who, according to HFS officials, needed a one-time infusion of cash (such as having difficulty in making payroll or making quarterly tax payments). If a provider’s request was granted, HFS authorized the payment of any outstanding claims.

Management controls over the one-time drop payment process were deficient. There was no criteria and/or basis for these one-time drop payments included in the expedited payment section of the Administrative Rule (89 Ill. Adm. Code 140.71(b)) or in HFS’ policies or procedures. No policies or procedures existed to delineate the process for providers requesting or HFS’ review and approval of the need for a one-time drop payment. HFS did not require providers to submit a written request documenting their need or keep a log of one-time drop payment requests. According to HFS officials, these providers usually contacted HFS by phone and declared their emergency need to be paid.

During testing, auditors found that generally the only documentation to support one-time drop payments were the e-mails between HFS employees changing the payment parameters for these providers and an internal HFS spreadsheet which tracked the one-time drop payment requests. There was no log or consistent documentation showing who outside HFS requested the payment or whether HFS determined that an emergency need existed.

Auditors compared the one-time drop spreadsheet and e-mails and found neither was complete. HFS subsequently provided e-mails for all the one-time drops on the spreadsheet. However, the HFS official noted that the spreadsheet was not an “official” or all-inclusive list because other HFS staff may make requests for one-time drop payments for providers that may not be reflected on the spreadsheet. There were 178 one-time drop payments listed on the Fiscal Year 2007 spreadsheet, totaling \$5.7 million. These payments were made to 135 providers. Thirty-seven of the providers had 2 or 3 one-time drop payments in Fiscal Year 2007. Also, there were e-mails with the names for at least 40 one-time drop providers that did not appear on the spreadsheet.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

We recommended that HFS develop policies and procedures for authorizing one-time drop payments to providers. These policies should include criteria for eligibility and requirements for maintaining necessary documentation.

Status:  
*Implemented*

During the Fiscal Year 2008 follow-up, HFS provided one-time drop request procedures and a copy of the “Request for One-time Expedited Payment” form. The procedures require the provider to submit the request in writing and to include the fiscal emergency and the dollar amount requested, and to complete the “one-time drop form.” According to HFS officials, HFS began using the form in September 2008.

For the Fiscal Year 2009 follow-up, HFS provided a copy of an approval form which documents eligibility approval by HFS. As a result, HFS now requires a signature for approval of Emergency Payment requests.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

<b>Recommendation:</b>	<b>Rejected Claim Notification</b>
<b>Recommendation No.:</b>	<b>6</b>

Synopsis of  
Prior Finding:

HFS was unable to provide auditors with the date the claims were rejected as required by Administrative Rule (74 Ill. Adm. Code 900.30(b)(4)). As a result, in order to determine how long it took HFS to notify providers of a rejected claim, auditors calculated the number of days between receipt of the claim and the date the provider was notified of the rejection.

HFS was not notifying providers timely in instances where a claim contained at least one rejected service and at least one paid service. From our sample of rejected services, we found that for non-expedited providers it took HFS on average 87 days from the date of receipt to notify providers of a rejected service when the rejected service was submitted on a claim along with a service that was paid. Additionally, we found that in Fiscal Year 2006, it took an average of 77 days for non-expedited claims to be approved and paid. In this scenario, on average it would have taken 164 days for a claim to be rejected by HFS and to be processed and paid once corrected by the provider. The 164 days does not include days taken by the provider to originally submit the claim or days needed by the provider to resubmit the rejected services.

During calendar year 2006, we determined that HFS rejected services for reasons that were not listed in the error codes found in the provider handbook. We compared the error codes that HFS used to notify providers during calendar year 2006 with the list of error codes published in the provider handbook found on HFS' website. We identified 123 error codes HFS used for rejected services that were reported to providers in 2006 that were not on the list of error codes found in HFS' provider handbook. These error codes are used by providers to determine why a service was rejected so they can make the appropriate corrections in order to resubmit the rejected service within the required 12 month period.

HFS sends out paper remittance advices that can be thousands of pages in length and the rejected claims are often mixed in with claims that are paid. From our sample of rejected claims, we found one remittance advice sent to a laboratory that was 10,650 pages. As a result, providers must look through thousands of pages in order to identify claims that were not paid.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

We recommended that HFS:

- maintain the date the claim was rejected as required by 74 Ill. Adm. Code 900.30(b)(4);
- develop a process to notify providers as soon as possible of their rejected claims as required by 74 Ill. Adm. Code 900.70 to allow providers ample time to resubmit services that are rejected;
- update the list of error codes that is available to providers to include all codes currently being used to reject claims by HFS; and
- explore alternatives to notifying providers of rejected claims other than by sending hard copy remittance advices.

Status:

***Partially Implemented***

During the Fiscal Year 2008 follow-up, HFS disagreed with the portion of the recommendation pertaining to documenting the claim rejection date and noted that it does maintain the dates of when claims are approved or rejected. HFS noted that the official date of action is the date of adjudication and is maintained in HFS' MMIS system for two years, in HFS' Medical Data Warehouse since 1996, and that archived data is also available. As noted in the report, auditors requested the rejected claim date on at least six different occasions and it was not provided. As a result, the recommendation was included in the report.

As a result of this recommendation, HFS also updated its list of error codes on its website in August 2008.

In Fiscal Year 2009, the recommendation to develop a process to notify providers as soon as possible of their rejected claims was not implemented. HFS stated it is moving towards more reliance on electronic notification and less on costly paper mailings, and noted that in the near future, electronic notification through MEDI and the internet will be the only means for: claim status; remittance advice; provider notices; and client eligibility. HFS noted it will eliminate paper remittances, provider notices, and monthly client eligibility cards. However, according to figures provided by HFS, almost 24,000 providers do not use the MEDI system.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

<b>Recommendation:</b>	<b>Rejected Claim Resubmission Policy</b>
<b>Recommendation No.:</b>	<b>7</b>

Synopsis of  
Prior Finding:

HFS did not pay all claims or notify all providers of rejected claims within 60 days in Fiscal Year 2006. HFS' provider handbook's guidance related to the resubmitting of Medicaid claims instructed providers to resubmit a claim if the claim has not appeared on a remittance advice after 60 days from the date the provider mailed the claim to HFS. The handbook states:

*The action taken on each claim processed is reported to the provider on Form DPA 194-M-1, Remittance Advice. If more than 60 days has elapsed since the mailing of a claim and the action taken on that claim by the Department has not appeared on a Remittance Advice, the provider must assume that the claim was not received by the Department. The provider should prepare a new original claim for submittal to the Department. It is the responsibility of the provider to assure that a claim is submitted timely.*

We determined that the average time it takes HFS to notify providers of rejected services when billed with a paid service was 87 days, which is longer than the 60 days. Additionally, we determined that in Fiscal Year 2006, 46.1 million of the 94.8 million paid claims (49%) were not paid by HFS within 60 days. As a result, if the providers followed the instructions found in the handbook, the providers would unnecessarily be submitting numerous duplicate bills to HFS.

We recommended that HFS re-examine its policy that instructs providers to resubmit all claims that have not appeared on a remittance advice within 60 days.

Status:  
***Partially Implemented***

During the Fiscal Year 2008 follow-up, HFS made a revision to its Handbook for Providers of Medical Services in August 2008. The Handbook now instructs providers to "resubmit claims only if their claims fail to appear in the Medical Electronic Data Interchange (MEDI) System thirty (30) days after submission to the Department." However, the revision does not provide guidance on rejected claim resubmission to the 39.5% of providers that do not use the MEDI System.

For the Fiscal Year 2009 follow-up, HFS noted that it has not provided any additional guidance on resubmission of claims to providers who are not on MEDI.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

<b>Recommendation:</b>	<b>Notification for Denied Interest Requests</b>
<b>Recommendation No.:</b>	<b>10</b>

Synopsis of  
Prior Finding:

HFS did not have a process in place to timely notify providers that their interest request will not be paid as required by Administrative Rule (74 Ill. Adm. Code 900.35). If HFS determined that a request for interest is denied, HFS is required by Administrative Rule to notify the provider within 60 days that the interest request was not payable under the Act. The notification must include the reason why the interest penalty was not going to be paid.

HFS reviewed and approved interest requests by document control number. If the interest request for one bill or part of that bill was denied while other bills on the same voucher were approved, the provider was not notified of the denied request until the payment for the bills with approved interest were received. We determined that in Fiscal Year 2006 it took HFS 452 days to pay providers their requested interest, as a result, the providers were not being notified in 60 days of the denial as required by Administrative Rule.

Interest Request Results reports are sent to providers after the interest payment is made by the Comptroller. These Interest Requests Results reports are not dated, and as a result, auditors could not determine when the reports were sent to providers. Additionally, HFS did not date stamp the requests for interest payment upon receipt. Without an actual date of receipt, HFS did not have the ability to ensure it is complying with the 60 day notification mandate required by Administrative Rule.

We recommended that HFS:

- notify providers within 60 days that their requests for interest penalty payments are denied as required by 74 Ill. Adm. Code 900.35;
- date Interest Request Results reports that are sent to providers; and
- date stamp interest requests upon receipt.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

Status:

***Partially Implemented***

During the Fiscal Year 2008 follow-up, HFS provided examples of the dated Requested Interest Denied Detail Reports and date stamped Medical Interest Penalty Request forms from providers.

In Fiscal Year 2009, HFS changed its policy on calculating and paying interest. According to the new HFS policies, interest is processed in the quarter following the quarter in which the initial claim was paid. Additionally, HFS officials noted that since HFS waits until the quarter following the quarter in which the claim was paid to process interest, not all interest is paid within 60 days as required by 74 Ill. Adm. Code 900.35. Therefore, providers are not being notified of denied interest within the required 60 days.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

<b>Recommendation:</b>	<b>Exclusion of Interest Payments</b>
<b>Recommendation No.:</b>	<b>12</b>

Synopsis of  
Prior Finding:

HFS excluded certain claims from interest payments, some of which were not supported by Administrative Rule. In May 2007, after our audit began, HFS established an Exclusion Policy which listed several reasons why HFS would not pay accrued prompt payment interest to a provider. Some of the exclusions were supported by Administrative Rule; others, however, were not. Furthermore, HFS retroactively applied this Exclusion Policy to interest owed dating back to Fiscal Year 2000.

The audit questioned how HFS applied several of the exclusions. Additionally, HFS retroactively applied a May 2007 policy on claims with adjustments to claims dating back almost eight years. As a result, 43,264 interest claims were excluded from payment.

We recommended that HFS:

- examine its policies and procedures used to exclude claims from interest payment and include only those supported by law;
- not apply exclusions retroactively unless expressly permitted by law; and
- pay interest that has been withheld without legal support.

Status:  
***Partially Implemented***

During the Fiscal Year 2008 follow-up, HFS noted in its updated response that this recommendation was implemented; however, the exclusion policy had not been updated to address the concerns from the audit. Additionally, HFS officials noted the new automated interest payment system used the same exclusions that were used by the old system. HFS also responded that it had not made any determinations as to whether it is going to pay interest that was previously withheld without legal support.

During the Fiscal Year 2009 follow-up, HFS provided a new policy on exclusions. The policy no longer excludes adjusted claims from interest payment. Additionally, HFS changed its policy on how it handles interest paid to nursing homes that have not provided its cost report timely. According to HFS, interest calculations have been rerun back to the third quarter and fourth quarter of Fiscal Year 2006 resulting in \$605,504 in additional payments to providers. HFS noted they are still researching other quarters that may need to be rerun. HFS does not have a timeframe at this time for when the analysis will be completed.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
**PROMPT PAYMENT ACT COMPLIANCE AND**  
**MEDICAID PAYMENT PROCESS**  
For the Year Ended June 30, 2009

<b>Recommendation:</b>	<b>Interest Payment Timeliness</b>
<b>Recommendation No.:</b>	<b>13</b>

Synopsis of  
Prior Finding:

HFS is not paying interest to providers in a reasonable time as required by 74 Ill. Adm. Code 900.90. The only mandate found in statute or Administrative Rule relating to the timeframe for paying prompt payment interest is that agencies are to pay interest in a “reasonable time.”

We determined that HFS did not pay any automatic interest that accrued beginning in July 1999 until May 2007. Additionally, in Fiscal Year 2006, it took HFS an average of 452 days to pay providers their requested interest. Requested interest payments to providers over the last several fiscal years ranged from an average of 124 days in Fiscal Year 2005 to 452 days in Fiscal Year 2006.

According to HFS officials, the delay in payment is due to the decision by HFS to not pay interest for at least one year after the claim is paid.

We recommended that HFS pay interest penalties owed to providers in a reasonable time as required by 74 Ill. Adm. Code 900.90.

Status:  
***Not Implemented***

According to HFS policies, interest is now processed in the quarter following the quarter in which the initial claim was paid. However, according to documentation provided by HFS, none of the interest payments for the first, second, or third quarters of Fiscal Year 2009 were processed or paid within the quarter following the quarter in which the initial claim was paid.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the Illinois Department of Healthcare and Family Services was performed by the Office of the Auditor General.

Based on their audit, the auditors expressed unqualified opinions on the Department's financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

**SUMMARY OF FINDINGS**

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 13-23 of this report, as finding 09-1 (Failure to provide requested engagement documentation in a timely manner), finding 09-2 (Financial statement preparation), finding 09-3 (Insufficient controls over the University of Illinois Hospital Services Fund) and finding 09-4 (Incorrect health insurance premium rates charged). The auditors also consider findings 09-1 and 09-2 to be material weaknesses.

SPRINGFIELD OFFICE:  
ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046  
FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:  
MICHAEL A. BILANDIC BLDG • SUITE 5-900  
160 NORTH LASALLE • 60601-3103  
PHONE: 312/814-4000  
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Healthcare and Family Services, as of and for the year ended June 30, 2009, which collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Department of Healthcare and Family Services' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Department of Healthcare and Family Services are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Healthcare and Family Services. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2009, and its changes in its financial position including cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Healthcare and Family Services, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 15, 2010 on our consideration of the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Defined Benefit Other Postemployment Benefit Plans – Schedule of Funding Progress on page 95 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The State of Illinois, Department of Healthcare and Family Services has not presented a management's discussion and analysis and budgetary comparison information for the General Revenue Fund and the Road Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements. The accompanying supplementary combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

April 15, 2010

**State of Illinois**  
**Department of Healthcare and Family Services**

**Statement of Net Assets**

June 30, 2009 (Expressed in Thousands)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Unexpended appropriations	\$ 556,803	\$ -	\$ 556,803
Cash equity with State Treasurer	376,261	7,246	383,507
Cash and cash equivalents	14,163	512	14,675
Due from other government - federal	1,611,986	40	1,612,026
Due from other government - local	18,287	168	18,455
Taxes receivable, net	12,436	-	12,436
Other receivables, net	102,423	180	102,603
Internal balances	6	(6)	-
Due from Department fiduciary funds	12	-	12
Due from other State funds	143,443	-	143,443
Due from State of Illinois component units	15,945	-	15,945
Prepaid expenses	6,445	-	6,445
Capital assets being depreciated, net	2,470	3	2,473
<b>Total assets</b>	<u>2,860,680</u>	<u>8,143</u>	<u>2,868,823</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	2,579,826	3,202	2,583,028
Due to other government - federal	41,287	2	41,289
Due to other government - local	134,167	-	134,167
Due to other State fiduciary funds	1,400	7	1,407
Due to other State funds	20,169	22	20,191
Due to State of Illinois component units	81,290	-	81,290
Unearned revenue	-	51	51
Long-term obligations:			
Due within one year	5,626	-	5,626
Due subsequent to one year	2,486,279	87	2,486,366
<b>Total liabilities</b>	<u>5,350,044</u>	<u>3,371</u>	<u>5,353,415</u>
<b>NET ASSETS</b>			
Invested in capital assets	2,470	3	2,473
Restricted for health and social services	268	-	268
Unrestricted	(2,492,102)	4,769	(2,487,333)
<b>Total net assets</b>	<u>\$ (2,489,364)</u>	<u>\$ 4,772</u>	<u>\$ (2,484,592)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Statement of Activities**

For the Year Ended June 30, 2009 (Expressed in Thousands)

Functions/Programs	Program Revenues		Net (Expense) Revenues and Changes in Net Assets			
	Expenses	Operating Grants and Contributions	Charges for Services	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>						
Governmental activities						
Health and social services	\$ 15,759,058	\$ 9,067,494	\$ 1,959,139	\$ (4,732,425)	\$ (4,732,425)	
Education	965,800	-	-	(965,800)	(965,800)	
Employment and economic development	41,971	-	-	(41,971)	(41,971)	
General government	227,882	-	-	(227,882)	(227,882)	
Transportation	180,449	-	-	(180,449)	(180,449)	
Public protection and justice	557,483	-	-	(557,483)	(557,483)	
Environment and business regulation	69,322	-	-	(69,322)	(69,322)	
Total governmental activities	<u>17,801,965</u>	<u>9,067,494</u>	<u>1,959,139</u>	<u>(6,775,332)</u>	<u>(6,775,332)</u>	
Business-type activities						
Insurance programs	56,624	-	54,820	(1,804)	(1,804)	
Total business-type activities	<u>56,624</u>	<u>-</u>	<u>54,820</u>	<u>(1,804)</u>	<u>(1,804)</u>	
<b>Total primary government</b>	<b>\$ 17,858,589</b>	<b>\$ 9,067,494</b>	<b>\$ 2,013,959</b>	<b>\$ (6,777,136)</b>	<b>\$ (6,777,136)</b>	
<b>General revenues</b>						
Appropriations from State Resources				10,648,233	10,648,233	
Lapsed appropriations				(89,188)	(89,188)	
Receipts collected and transmitted to State Treasury				(5,600,835)	(5,600,835)	
Public utility taxes				4,000	4,000	
Other taxes				1,147,866	1,147,866	
Interest and investment income				4,064	4,243	
Other revenues				291,328	291,496	
Capital transfers to other State agencies				(7)	(7)	
Amount of SAMS transfer-in				(102,787)	(102,787)	
Amount of SAMS transfer-out				44,700	44,700	
Transfers-in				59,526	59,526	
Transfers-out				(33,615)	(34,615)	
Transfer of administration of funds to other State agencies				(26)	(26)	
Total general revenues and transfers				<u>6,373,259</u>	<u>(653)</u>	<u>6,372,606</u>
Change in net assets				(2,457)	(2,457)	
Net assets, July 1, 2008				7,229	7,229	
Net assets, June 30, 2009				<u>\$ 4,772</u>	<u>\$ 4,772</u>	<u>\$ (2,484,592)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**

**Governmental Funds Balance Sheet**

June 30, 2009 (Expressed in Thousands)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Unexpended appropriations	\$ 529,867	\$ -	\$ 26,936	\$ 556,803
Cash equity with State Treasurer	306,261	-	44,579	350,840
Cash and cash equivalents	283	-	-	283
Due from other government - federal	1,564,078	-	37,873	1,601,951
Due from other government - local	18,287	-	-	18,287
Taxes receivable, net	12,436	-	-	12,436
Other receivables, net	71,667	-	21,969	93,636
Due from other Department funds	-	-	3,773	3,773
Due from other State funds	3,214	-	-	3,214
<b>Total assets</b>	<u>\$ 2,506,093</u>	<u>\$ -</u>	<u>\$ 135,130</u>	<u>\$ 2,641,223</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,004,545	\$ -	\$ 15,530	\$ 2,020,075
Due to other government - federal	9,798	-	31,479	41,277
Due to other government - local	126,995	-	7,172	134,167
Due to other State fiduciary funds	820	-	557	1,377
Due to other Department funds	327,877	25,998	841	354,716
Due to other State funds	10,144	-	9,911	20,055
Due to State of Illinois component units	81,085	-	205	81,290
Unavailable revenue	820,996	-	4,360	825,356
<b>Total liabilities</b>	<u>3,382,260</u>	<u>25,998</u>	<u>70,055</u>	<u>3,478,313</u>
<b>FUND BALANCES (DEFICITS)</b>				
Reserved for encumbrances	86	-	-	86
Unreserved:				
General fund	(876,253)	-	-	(876,253)
Special revenue funds	-	(25,998)	65,075	39,077
<b>Total fund balances (deficits)</b>	<u>(876,167)</u>	<u>(25,998)</u>	<u>65,075</u>	<u>(837,090)</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,506,093</u>	<u>\$ -</u>	<u>\$ 135,130</u>	<u>\$ 2,641,223</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Assets**  
**June 30, 2009**  
**(Expressed in Thousands)**

<b>Total fund balances-governmental funds</b>		\$ (837,090)
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,464
Prepaid expenses for governmental activities are current uses of financial resources for funds.		6,445
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		825,356
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Compensated absences	\$ (12,285)	
Net other postemployment benefit obligation	(2,474,254)	(2,486,539)
<b>Net assets of governmental activities</b>		<b><u><u>\$ (2,489,364)</u></u></b>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance -  
Governmental Funds**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	General Fund	Road Fund	Other Nonmajor Funds	Total
<b>REVENUES</b>				
Operating grants - federal	\$ 7,291,835	\$ -	\$ 557,209	\$ 7,849,044
Other operating grants	823,034	-	-	823,034
Licenses and fees	18,195	-	814	19,009
Other charges for services	-	-	19,643	19,643
Interest and other investment income	2,606	-	-	2,606
Public utility taxes	-	-	4,000	4,000
Other taxes	1,147,729	-	-	1,147,729
Other	254,889	-	1	254,890
<b>Total revenues</b>	<u>9,538,288</u>	<u>-</u>	<u>581,667</u>	<u>10,119,955</u>
<b>EXPENDITURES</b>				
Health and social services	12,488,989	-	1,075,879	13,564,868
Education	438,209	-	-	438,209
Employment and economic development	14,157	-	-	14,157
General government	97,554	24,394	-	121,948
Transportation	5,748	97,572	-	103,320
Public protection and justice	299,812	27,504	-	327,316
Environment and business regulation	25,075	-	-	25,075
Capital outlays	48	-	-	48
<b>Total expenditures</b>	<u>13,369,592</u>	<u>149,470</u>	<u>1,075,879</u>	<u>14,594,941</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(3,831,304)</u>	<u>(149,470)</u>	<u>(494,212)</u>	<u>(4,474,986)</u>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>				
Appropriations from State resources	9,657,688	142,997	847,548	10,648,233
Lapsed appropriations	(89,024)	-	(164)	(89,188)
Receipts collected and transmitted to State Treasury	(5,140,034)	-	(460,801)	(5,600,835)
Amount of SAMS transfers-in	(102,787)	-	-	(102,787)
Amount of SAMS transfers-out	44,700	-	-	44,700
Transfers-in	21,651	-	89,798	111,449
Transfers-out	(66,488)	-	(14,050)	(80,538)
Transfer of administration of funds to other State agencies	-	-	(25)	(25)
<b>Net other sources (uses) of financial resources</b>	<u>4,325,706</u>	<u>142,997</u>	<u>462,306</u>	<u>4,931,009</u>
<b>Net change in fund balances</b>	494,402	(6,473)	(31,906)	456,023
Fund balances (deficits), July 1, 2008	<u>(1,370,569)</u>	<u>(19,525)</u>	<u>96,981</u>	<u>(1,293,113)</u>
<b>FUND BALANCES (DEFICITS), JUNE 30, 2009</b>	<u>\$ (876,167)</u>	<u>\$ (25,998)</u>	<u>\$ 65,075</u>	<u>\$ (837,090)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to Statement of Activities**  
**For the Year Ended June 30, 2009**  
**(Expressed in Thousands)**

<b>Net change in fund balances</b>		\$ 456,023
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation in the current period exceeded capital outlays.		(850)
Prepaid expenses in the Statement of Activities are not reported as expenses in governmental funds. This amount represents the increase in prepaid expenses over the prior year.		(16,712)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.		395,570
Some capital assets were transferred out to other State agencies and, therefore, no proceeds were received for the capital asset's value.		(7)
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, the book value of capital assets which are sold or scrapped are also reported. This is the book value of capital assets which were sold or scrapped.		(7)
A program that was transferred to another State agency during the current year had unavailable revenue in the prior year.		(1)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities:		
Decrease in compensated absences obligation	\$ 34	
Increase in net other postemployment benefit obligation	<u>(1,236,123)</u>	<u>(1,236,089)</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ (402,073)</u></b>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**

**Statement of Net Assets -**  
**Proprietary Funds**

June 30, 2009 (Expressed in Thousands)

	<b>Business-Type Activities - Nonmajor Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Local Government Health Insurance Reserve Fund</b>	<b>Health Insurance Reserve Fund</b>
<b>ASSETS</b>		
Cash equity with State Treasurer	\$ 7,246	\$ 25,421
Cash and cash equivalents	512	13,880
Due from other government - federal	40	10,035
Due from other government - local	168	-
Other receivables, net	180	8,787
Due from other Department fiduciary funds	-	12
Due from other Department funds	-	350,949
Due from other State funds	-	140,229
Due from State of Illinois component units	-	15,945
<b>Total current assets</b>	<b>8,146</b>	<b>565,258</b>
Capital assets being depreciated, net	3	6
<b>Total assets</b>	<b>8,149</b>	<b>565,264</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	3,202	559,751
Due to other government - federal	2	10
Due to other State fiduciary funds	7	23
Due to other Department funds	6	-
Due to other State funds	22	114
Unearned revenue	51	-
Current portion of long-term obligations	-	5,011
<b>Total current liabilities</b>	<b>3,290</b>	<b>564,909</b>
Noncurrent portion of long-term obligations	87	355
<b>Total liabilities</b>	<b>3,377</b>	<b>565,264</b>
<b>NET ASSETS</b>		
Invested in capital assets	3	6
Unrestricted	4,769	(6)
<b>Total net assets</b>	<b>\$ 4,772</b>	<b>\$ -</b>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**

**Department of Healthcare and Family Services**

**Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Proprietary Funds**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	<b>Business-Type Activities - Nonmajor Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Local Government Health Insurance Reserve Fund</b>	<b>Health Insurance Reserve Fund</b>
<b>OPERATING REVENUES</b>		
Charges for sales and services	\$ 54,820	\$ 1,957,224
<b>Total operating revenues</b>	<u>54,820</u>	<u>1,957,224</u>
<b>OPERATING EXPENSES</b>		
Benefit payments and refunds	54,551	1,927,454
Interest expense	2	15,362
General and administrative	2,068	47,228
Depreciation	3	6
<b>Total operating expenses</b>	<u>56,624</u>	<u>1,990,050</u>
<b>Operating income (loss)</b>	(1,804)	(32,826)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment income	179	1,458
Other revenues	168	36,368
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>		
Transfers-out	(1,000)	(5,000)
<b>Change in net assets</b>	(2,457)	-
Net assets, July 1, 2008	<u>7,229</u>	<u>-</u>
<b>NET ASSETS, JUNE 30, 2009</b>	<u>\$ 4,772</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**

**Statement of Cash Flows -**  
**Proprietary Funds**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	<b>Business-Type Activities - Nonmajor Enterprise Fund</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Local Government Health Insurance Reserve Fund</b>	<b>Health Insurance Reserve Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sales and services	\$ 54,803	\$ 113,687
Cash received from transactions with other funds	-	1,515,343
Cash payments to suppliers for goods and services	(57,365)	(1,736,347)
Cash payments to employees for services	(1,060)	(4,396)
Cash receipts from other operating activities	751	36,777
Net cash provided (used) by operating activities	<u>(2,871)</u>	<u>(74,936)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating grants received	162	34,680
Operating transfers-out	(1,000)	(5,000)
Net cash provided (used) by noncapital financing activities	<u>(838)</u>	<u>29,680</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends on investments	192	1,535
Net cash provided by investing activities	<u>192</u>	<u>1,535</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,517)</b>	<b>(43,721)</b>
Cash and cash equivalents, July 1, 2008	11,275	83,022
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2009</b>	<b>\$ 7,758</b>	<b>\$ 39,301</b>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets:</b>		
Total cash and cash equivalents per the Statement of Net Assets	\$ 512	\$ 13,880
Add: cash equity with State Treasurer	7,246	25,421
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2009</b>	<b>\$ 7,758</b>	<b>\$ 39,301</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (1,804)</b>	<b>\$ (32,826)</b>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3	6
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	78	1,692
(Increase) decrease in intergovernmental receivables	(69)	-
(Increase) decrease in due from other funds	-	(320,096)
(Increase) decrease in due from State of Illinois component units	-	(8,097)
Increase (decrease) in accounts payable and accrued liabilities	(1,060)	284,783
Increase (decrease) in intergovernmental payables	-	4
Increase (decrease) in due to other funds	(86)	(410)
Increase (decrease) in deferred revenues	51	-
Increase (decrease) in other liabilities	16	8
Total adjustments	<u>(1,067)</u>	<u>(42,110)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (2,871)</b>	<b>\$ (74,936)</b>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**

**Statement of Fiduciary Net Assets**

June 30, 2009 (Expressed in Thousands)

	<b>Pension (and Other Employee Benefit) Trust Funds</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash equity with State Treasurer	\$ 72,181	\$ 14,854
Cash and cash equivalents	5,774	1,359
Receivables, net:		
Federal government	6,745	-
Employee	5,249	-
Employer	3,991	-
Interest and investment income	42	-
Other	5,330	217,986
<b>Total assets</b>	<u>99,312</u>	<u>\$ 234,199</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	42,973	\$ 18,735
Intergovernmental payables	3	-
Due to other State fiduciary funds	8	-
Due to other Department funds	12	-
Due to other State funds	182	-
Other liabilities	-	215,464
Long-term obligations:		
Due within one year	1	-
Due subsequent to one year	84	-
<b>Total liabilities</b>	<u>43,263</u>	<u>\$ 234,199</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS</b>	<u>\$ 56,049</u>	

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**

**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	<b>Pension (and Other Employee Benefit) Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 69,958
State	79,390
Plan members:	
Active	92,062
Retiree	161,254
Terminated employees	222
Federal Medicare Part D	24,296
Total contributions	<u>427,182</u>
Investment income:	
Interest and other investment income	<u>1,538</u>
Net investment income	<u>1,538</u>
<b>Total additions</b>	<u>428,720</u>
<b>DEDUCTIONS</b>	
Benefit payments and refunds	439,401
General and administration	<u>2,847</u>
<b>Total deductions</b>	<u>442,248</u>
<b>Net additions (deductions)</b>	(13,528)
Net assets held in trust for pension and other employee benefits, July 1, 2008	<u>69,577</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS, JUNE 30, 2009</b>	<u><u>\$ 56,049</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(1) Organization**

The Department of Healthcare and Family Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the State's General Revenue Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of various locally-held portions of health insurance funds and the Child Support Enforcement Trust Fund - SDU.

The Department is organized to provide for the improvement of the lives of Illinois' families through healthcare coverage, child support enforcement, and energy assistance and employees of the State of Illinois and other local governments and schools through group insurance plan administration.

**(2) Summary of Significant Accounting Policies**

The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

**(a) Financial Reporting Entity**

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(b) Basis of Presentation**

The financial statements of the State of Illinois, Department of Healthcare and Family Services, are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the governmental and business-type activities, by each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Government-wide Statements.** The government-wide statement of net assets and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. These statements distinguish between the *governmental* and *business-type* activities of the Department. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the assets and liabilities of the Department's governmental and business-type activities with the difference being reported as net assets. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Department and for the functions of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements.** The fund financial statements provide information about the Department's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Department administers the following major governmental funds (or portions thereof in the case of shared funds - see note 2(d)) of the State:

**General** - This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

services which are administered by the Department and accounted for in the General Fund include, among others, promoting access to quality healthcare and child support. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Department's portion of the General Fund is composed of five primary sub-accounts (General Revenue, U of I Hospital Services, County Hospital Services, Long-Term Care Provider, and Hospital Provider) and eleven secondary sub-accounts.

**Road** – This fund accounts for the activities of the Department for payment to the Health Insurance Reserve Fund for allocated costs associated with providing medical and dental benefits for State employees paid from the Road Fund.

Additionally, the Department reports the following fund types:

**Governmental Fund Types:**

**Special Revenue** – These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purposes.

**Proprietary Fund Types:**

**Enterprise** – This fund accounts for operations where the intent of the Department is that the cost of providing goods or services for health insurance programs on a continuing basis be financed or recovered primarily through user charges.

**Internal Service** – This fund accounts for medical and dental benefits for State employees provided to agencies of the State on a reimbursement basis.

**Fiduciary Fund Types:**

**Agency** – These funds account for transactions related to assets collected by the Department, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

**Pension (and other Employee Benefit) Trust** – These funds account for resources that are required to be held in trust for payment of postemployment benefits on-behalf of beneficiaries.

**(c) Measurement Focus and Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

nursing home assessments, hospital assessments, and intergovernmental grants. On an accrual basis, revenues from the nursing home assessments are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include the nursing home assessment, federal matching revenues, drug rebates, intergovernmental transfer agreement revenues, insurance charges, and child support. Other miscellaneous revenue sources are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance as it relates to the Department's operations.

**(d) Shared Fund Presentation**

The financial statement presentation for the General Revenue, Care Provider Fund for Persons with Developmental Disabilities, and Trauma Center Accounts of the General Fund, the Road Fund, the Department of Corrections Reimbursement Fund, the Supplemental Low Income Energy Assistance Fund, the FY09 Budget Relief Fund, and the Tobacco Settlement Recovery Fund, nonmajor governmental funds, represent only the portion of the shared fund that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

Unexpended Appropriations

This “asset” account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This “other financing source” account represents the final legally adopted appropriation according to SAMS records.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

This “other financing use” account represents all cash receipts received during the fiscal year from SAMS records.

Amount of SAMS Transfers-In

This “other financing use” account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Department did not make a deposit into the State Treasury.

Amount of SAMS Transfers-Out

This “other financing source” account represents cash transfers made by the Office of the Comptroller in accordance with statutory provision from the corresponding fund during the fiscal year per SAMS records in which a legally adopted appropriation was not charged.

**(e) *Eliminations***

Eliminations have been made in the government-wide statement of net assets to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net assets. Amounts reported in the governmental funds balance sheet and proprietary funds statement of net assets as receivable from or payable to fiduciary funds have been included in the government-wide statement of net assets as receivable from and payable to external parties, rather than as internal balances.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(f) Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents include cash on hand and cash in banks for locally held funds.

**(g) Investments**

Investments are reported at fair value.

**(h) Interfund Transactions and Transactions with State of Illinois Component Units**

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

***Services provided and used***—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet and the proprietary and government-wide statements of net assets.

***Reimbursements***—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

***Transfers***—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

The Department also has activity with the University of Illinois, a State of Illinois component unit, for medical programs and intergovernmental transfer agreements administered by the University and with various component units of the State of Illinois for on-behalf employee benefits paid.

**(i) Capital Assets**

Capital assets, which include property, plant, and equipment, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Equipment	\$5,000	3-10 years

**(j) *Compensated Absences***

The liability for compensated absences reported in the government-wide and the proprietary fund statement of net assets consists of unpaid, accumulated vacation and sick leave balances for Department employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare taxes).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

**(k) *Fund Balances***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally restricted to a specific future use or that are not available for appropriation or expenditure. Designations of fund balances represent tentative State plans that are subject to change.

**(l) *Net Assets***

In the government-wide and the proprietary statement of net assets, equity is displayed in three components as follows:

***Invested in Capital Assets*** – This consists of capital assets, net of accumulated depreciation.

***Restricted*** – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**Unrestricted** – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets.”

**(m) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(n) Health Benefits Claims Processing**

By State statute, the Department is responsible for administering the State’s health benefit programs. The Department contracts with third party administrators to process health, dental and prescription claims submitted by healthcare service providers relating to the applicable self-insured portions of the health benefit programs accounted for in the Local Government Health Insurance Reserve Fund, Teacher Health Insurance Security Fund, Community College Health Insurance Security Fund and Health Insurance Reserve Fund. It is the Department’s policy to recognize claims expense and accrue any unpaid liability relating to claims incurred but not reported (IBNR) based on actuarial projections and reports of processed claims provided by the third-party administrators.

**(o) Future Adoption of GASB Statements**

Effective for the year ending June 30, 2010 the Department will adopt GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes guidance for recognition and amortization of intangible assets in the financial statements of governments. The Department has not yet determined the impact of the Department’s financial statements as a result of adopting this statement.

**(3) Deposits and Investments**

**(a) Deposits**

The State Treasurer is the custodian of the State’s cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois’ Comprehensive Annual Financial Report.

Cash on deposit for locally held funds of governmental activities, business-type activities, and fiduciary activities had carrying amounts and bank balances of \$6.153 million, \$21 thousand, and \$13 thousand, respectively, at June 30, 2009.

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(b) Investments**

As of June 30, 2009, the Department had the following investments outside of the State Treasury:

	<b>Fair Value (Thousands)</b>	<b>Weighted Average Maturity (Years)</b>
<b><i>Governmental and Business-Type Activities</i></b>		
Illinois Public Treasurers' Investment Pool	\$ 8,501	0.048
Total fixed income investments	\$ 8,501	
<b><i>Fiduciary Funds</i></b>		
Repurchase agreements	\$ 9,005	0.003
Illinois Public Treasurers' Investment Pool	5,761	0.048
Total fixed income investments	\$ 14,766	

**Interest Rate Risk:** The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk:** The Department does not have a formal investment policy that limits investment choices. The Illinois Public Treasurers' Investment Pool were rated AAAM by Standard & Poor's.

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(c) Reconciliation to Statement of Net Assets and Statement of Fiduciary Net Assets**

The Statement of Net Assets and Statement of Fiduciary Net Assets account cash and cash equivalents contains certain short-term investments (included as investments above) to reflect their liquidity. A reconciliation (amounts expressed in thousands) follows:

<i>Governmental and Business-Type Activities</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ 6,174	\$ 8,501
Cash equivalents	<u>8,501</u>	<u>(8,501)</u>
<b>Amounts per Statement of Net Assets</b>	<u><u>\$ 14,675</u></u>	<u><u>\$ -</u></u>
<i>Fiduciary Funds</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ 13	\$ 14,766
Cash equivalents	14,766	(14,766)
Outstanding checks	<u>(7,646)</u>	<u>-</u>
<b>Amounts per Statement of Fiduciary Net Assets</b>	<u><u>\$ 7,133</u></u>	<u><u>\$ -</u></u>

**(4) Accounts Receivable**

**(a) Taxes Receivable**

Taxes receivable (amounts expressed in thousands) at June 30, 2009 are as follows:

	<u>General Fund</u>
Taxes receivable	\$ 15,186
Less: allowance for uncollectible taxes	<u>(2,750)</u>
<b>Taxes receivable, net</b>	<u><u>\$ 12,436</u></u>

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(b) Other Receivables**

Other receivables (amounts expressed in thousands) at June 30, 2009 are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Proprietary Fund</u>	<u>Internal Service Fund</u>	<u>Fiduciary Funds</u>
Other receivables	\$ 113,935	\$ 680,915	\$ 180	\$ 8,787	\$ 3,204,046
Less: allowance for uncollectible accounts	<u>(42,268)</u>	<u>(658,946)</u>	<u>-</u>	<u>-</u>	<u>(2,980,730)</u>
<b>Other receivables, net</b>	<u><u>\$ 71,667</u></u>	<u><u>\$ 21,969</u></u>	<u><u>\$ 180</u></u>	<u><u>\$ 8,787</u></u>	<u><u>\$ 223,316</u></u>

**(5) Interfund Balances and Activity**

**(a) Balances Due to/from Other Funds**

The following balances (amounts expressed in thousands) at June 30, 2009 represent amounts due from Department funds and other State funds.

<u>Fund</u>	<u>Due from</u>			<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	<u>Department Fiduciary Funds</u>	
General	\$ -	\$ 3,214	\$ -	Due from other State funds for subgrants unreceived.
Nonmajor governmental funds	3,773	-	-	Due from other State funds for unexpended subgrants made.
Internal service fund	350,949	140,229	12	Due from other funds for insurance benefits
	<u><u>\$ 354,722</u></u>	<u><u>\$ 143,443</u></u>	<u><u>\$ 12</u></u>	

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

The following balances (amounts expressed in thousands) at June 30, 2009 represent amounts due to the Department's internal service fund for insurance benefits, to other State of Illinois funds for purchases of services, and to pension (and other employee benefit) trust funds for postemployment benefits.

<u>Fund</u>	<u>Due to</u>		
	<u>Other Department Funds</u>	<u>Other State Funds</u>	<u>Other State Fiduciary Funds</u>
General	\$ 327,877	\$ 10,144	\$ 820
Road Fund	25,998	-	-
Nonmajor governmental funds	841	9,911	557
Nonmajor proprietary fund	6	22	7
Internal service fund	-	114	23
Fiduciary funds	12	182	8
	<u>\$ 354,734</u>	<u>\$ 20,373</u>	<u>\$ 1,415</u>

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(b) Transfers to/from Other Funds**

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2009 were as follows:

<u>Fund</u>	<u>Transfers in from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 12,800	\$ 8,851	Transfers from the Tobacco Settlement Fund for Medicaid programs and other State funds per State appropriation.
Nonmajor governmental funds	39,123	50,675	Transfer from General Fund per State appropriation.
	<u>\$ 51,923</u>	<u>\$ 59,526</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2009, were as follows:

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 39,123	\$ 27,365	Transfer to Department nonmajor governmental funds and other State Funds per State appropriation, transfer to State debt service funds, and transfers to other State funds assist State budget shortfalls.
Nonmajor governmental funds	12,800	1,250	Transfer to General Fund for Medicaid programs and to other State funds to assist State budget shortfalls.
Nonmajor proprietary fund	-	1,000	Transfer to assist State budget shortfalls.
Internal service fund	-	5,000	Transfer to assist State budget shortfalls.
	<u>\$ 51,923</u>	<u>\$ 34,615</u>	

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(c) Balances Due to/from State of Illinois Component Units**

The following balances (amounts expressed in thousands) at June 30, 2009 represent amounts due from State of Illinois Component Units to the General Fund for intergovernmental agreement reimbursements and to the internal service fund for health insurance charges.

<b>Fund</b>	<b>Due from Internal Service Fund</b>
Toll Highway Authority	\$ 2,024
Chicago State University	309
Governors State University	111
Northeastern Illinois University	301
Western Illinois University	51
Illinois State University	824
Northern Illinois University	2,216
Southern Illinois University	38
University of Illinois	10,071
	\$ 15,945

The following balances (amounts expressed in thousands) at June 30, 2009 represent amounts due to State of Illinois Component Units for medical reimbursements.

<b>Fund</b>	<b>Due to</b>	
	<b>General Fund</b>	<b>Nonmajor Governmental funds</b>
University of Illinois	\$ 81,085	\$ 205
	\$ 81,085	\$ 205

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(6) Capital Assets**

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2009 is as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2009</u>
<b>Governmental activities:</b>					
Capital assets being depreciated:					
Equipment	\$ 10,567	\$ 48	\$ 466	\$ (1,421)	\$ 8,728
Less accumulated depreciation:					
Equipment	<u>7,227</u>	<u>904</u>	<u>459</u>	<u>(1,414)</u>	<u>6,258</u>
Total capital assets being depreciated, net	<u>3,340</u>	<u>(856)</u>	<u>7</u>	<u>(7)</u>	<u>2,470</u>
Governmental activity capital assets, net	<u>\$ 3,340</u>	<u>\$ (856)</u>	<u>\$ 7</u>	<u>\$ (7)</u>	<u>\$ 2,470</u>

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2009 was charged as follows:

Health and social services      \$904

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2009</u>
<b>Business-type activities:</b>					
Capital assets being depreciated:					
Equipment	\$ 9	\$ -	\$ -	\$ -	\$ 9
Less accumulated depreciation:					
Equipment	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>6</u>
Business-type activity capital assets, net	<u>\$ 6</u>	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

**(7) Long-Term Obligations**

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2009 were as follows:

	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2009</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>					
Compensated Absences	\$ 12,685	\$ 11,518	\$ 11,544	\$ 12,659	\$ 634
Workers' compensation	-	4,992	-	4,992	4,992
Net other postemployment benefit obligation	1,238,131	1,236,123	-	2,474,254	-
<b>Total governmental activities</b>	<b>\$ 1,250,816</b>	<b>\$ 1,252,633</b>	<b>\$ 11,544</b>	<b>\$ 2,491,905</b>	<b>\$ 5,626</b>
<b>Business-type activities:</b>					
Compensated Absences	\$ 71	\$ 60	\$ 44	\$ 87	\$ -
<b>Total business-type activities</b>	<b>\$ 71</b>	<b>\$ 60</b>	<b>\$ 44</b>	<b>\$ 87</b>	<b>\$ -</b>
<b>Fiduciary funds:</b>					
Compensated Absences	\$ 75	\$ 67	\$ 57	\$ 85	\$ 1
<b>Total fiduciary funds</b>	<b>\$ 75</b>	<b>\$ 67</b>	<b>\$ 57</b>	<b>\$ 85</b>	<b>\$ 1</b>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees. Workers' compensation liabilities have been liquidated by the Health Insurance Reserve Fund, an internal service fund.

**(8) Pension Plan**

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2009 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2009, the employer contribution rate was 21.049%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

**(9) Post-employment Benefits**

Plan Description: The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all State and university component unit employees become eligible for these other postemployment benefits ("OPEB") if they eventually become annuitants of one of the State sponsored pension plans. The Department of Healthcare and Family Services and the Department of Central Management Services administer these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (General Assembly Retirement System, Judges Retirement System, State Employees Retirement System, Teachers Retirement System, and the State Universities Retirement System). The portions of the Act related to other postemployment benefits establishes a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation for employees of the State's component unit universities. The plan does not issue a stand-alone financial report.

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with the limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes \$5,000.

Funding Policy and Annual Other Postemployment Benefits Cost: In accordance with the Act, the State contributes toward the cost of an annuitant's coverage under the basic program of group health, dental, and vision benefits an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service. For fiscal year 2009, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was \$6,322.32 (\$2,383.20 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and \$9,389.52 (\$2,371.44 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

For current employees, contributions are dependent upon annual salary and whether or not the employee chooses to receive benefits through a health maintenance organization. Current employee contribution rates to the plan are as follows:

<b>Employee Annual Salary</b>	<b>Annual Employee Health, Dental, and Vision Contribution Requirements</b>	
	<b>Benefits Through a Health Maintenance Organization</b>	<b>Benefits Provided Through Other Than a Health Maintenance Organization</b>
	\$29,500 and below	\$582
\$29,501 - \$44,600	\$642	\$942
\$44,601 - \$59,300	\$672	\$972
\$59,301 - \$74,300	\$702	\$1,002
\$74,301 and above	\$732	\$1,032

The State's lack of funding requirement differs significantly from the annual OPEB cost ("AOPEBC") as pay-as-you-go does not conform to the GASB Statement No. 45 accounting parameters. The State's AOPEBC for the current year and related information (amounts expressed in thousands) are as follows:

Actuarially required contribution ("ARC")	\$ 1,825,283
Plus: Interest on net other postemployment benefits obligation ("NOPEBO")	55,716
Adjustment to the ARC	(41,271)
Annual other postemployment benefits cost	1,839,728
Benefits paid during the year	603,605
Increase in NOPEBO	1,236,123
NOPEBO at June 30, 2008	1,238,131
NOPEBO at June 30, 2009	\$ 2,474,254

The AOPEBC, the percentage of AOPEBC contributed for the year, and the NOPEBO at the end of the current fiscal year and the preceding fiscal year (amounts expressed in thousands) are as follows:

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

<b>Annual Other Postemployment Benefit Cost</b>	
6/30/08	\$ 1,775,991
6/30/09	\$ 1,839,728
<b>% of AOPEBC Contributed</b>	
6/30/08	30.29%
6/30/09	32.81%
<b>Net Other Postemployment Benefit Obligation</b>	
6/30/08	\$ 1,238,131
6/30/09	\$ 2,474,254

Funded Status and Funding Progress: The funded status and funding progress of the State's OPEB plan (amounts expressed in thousands) are as follows:

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability ("AAL") Projected Unit Credit	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
6/30/2009	\$ -	\$ 27,124,061	\$ 27,124,061	0.0%	\$ 7,091,656	382.5%

**Actuarial Methods and Assumptions.** Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress of the State's OPEB plan, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and do not include the potential effects of legal or contractual funding limitations on the pattern of cost sharing between employer and plan members in the future. Information about actuarial methods and assumptions used in the actuarial valuation of the plan are as follows:

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

Actuarial valuation date of the actuarial required contribution	6/30/2009
Actuarial valuation date of the unfunded actuarial accrued liability	6/30/2009
Actuarial cost method	Proj. Unit Credit
Amortization method	Level % of pay
Remaining amortization period	30 years. Open
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return *	4.5%
Projected salary increases *	4.5%
Inflation rate	3.5%
Healthcare cost trend rate:	
Medical	9.0% grading down .5% per year over 8 years to 5.0%
Dental	8.0% grading down .5% per year over 6 years to 5.0%
Vision	6% for next year with 3% used for subsequent years

\* Includes inflation rate listed

**(10) Fund Deficits**

The General Fund and the Road Fund had deficit fund balances at June 30, 2009 of \$876.167 and \$25.998 million, respectively. The General Fund deficit results from the liabilities of the Medicaid program recognized at June 30, 2009 which will be paid from future year appropriations and from the allocation of the State's health insurance claims incurred but not received. The deficit is expected to be eliminated through both future federal and other revenue sources of the State and the future recognition of unavailable revenue. The Road Fund deficit results from the allocation of the State's health insurance claims incurred but not received. The deficit is expected to be eliminated through future revenues.

**(11) Risk Management**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks except computer equipment insurance purchased by the Department.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

The Department administers the State of Illinois' risk management for employee health and dental insurance benefit programs of the State. The Health Insurance Reserve Fund, an internal service fund, is used to account for these benefit programs, which are partially self-funded. Employees of the State

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

may obtain health care services through participation in the State's group health insurance plan or through membership in one of eight health maintenance organization plans under contract with the State. The State maintains the risk of insurance for employees who participate in the State's group health insurance plan. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, have been recorded as liabilities in the amount of \$283.089 million. Payments to the Health Insurance Reserve Fund are based on estimates of amounts needed to pay prior year unprocessed and current year claims.

The following is a reconciliation of the Department's claims liabilities for the years ended June 30, 2008 and 2009.

<u>Year Ended June 30</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Decreases</u>	<u>Ending Balance</u>
2008	\$ 112,116	\$ 545,252	\$ 500,454	\$ 156,914
2009	\$ 156,914	\$ 633,120	\$ 506,945	\$ 283,089

**(12) Local Government Health Insurance Reserve Fund Risk Pool Disclosure**

The Local Government Health Insurance Reserve Fund (LGHIRF) was established to provide health and dental insurance to participating local governmental entities. Financial statements for the LGHIRF may be obtained from the Department. As of June 30, 2009, there were 458 local governmental entities participating with approximately 5,282 employees, 3,254 dependents and 346 retirees covered. Each participating local governmental unit is required to enter into a written agreement with the Department of Central Management Services (DCMS). The agreement sets forth the responsibilities of both parties. The Department issues a publicly available financial report that includes financial statements and required supplementary information for LGHIRF. The financial report may be obtained from the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois, 62763.

The responsibilities required of the Department are:

- Establishment of the Local Government Health Insurance Reserve Fund
- Processing and payment of authorized claims

The responsibilities required of the DCMS are:

- Setting and adjusting premium rates
- Billing and collection of monthly premiums from local governmental units
- Enrollment and termination of members and dependents after notification by the local governmental unit
- Establishment of a Local Government Health Plan Advisory Board, consisting of seven advisors from the participating local governmental units

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

The responsibilities required of the local governmental units are:

- Enrollment of all employees and dependents that meet eligibility guidelines and who elect to participate
- Collection and transmission of monthly member and dependent premiums
- Designation of a Health Plan Representative
- Participation in the program for a minimum of two years

The LGHIRF had previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2009.

The basis used in calculating the estimated liability for future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2009, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amounts expressed in thousands) at June 30, 2009 is as follows:

Claims incurred and reported but not paid as of June 30	\$	788
Estimated liability for claims incurred but not reported		2,377
Total estimated liability for future claims	\$	<u>3,165</u>

A reconciliation of total benefit claim payments and refunds including claims adjustment expense is as follows (amounts expressed in thousands):

Payments made for benefit claims	\$	55,600
Less: Liability for unpaid claims, beginning of year		4,214
Subtotal		<u>51,386</u>
Add: Liability for unpaid claims, end of year		3,165
Total benefit claim payments and refunds	\$	<u>54,551</u>

**(13) Other Postemployment Benefit Plans**

The Department administers, along with the retirement systems listed below, two funds which account for cost-sharing, multiple-employer defined benefit postemployment benefit plans (other than pension plans) for non-State employees.

For both plans, plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

The Department issues a publicly available financial report that includes financial statements and required supplementary information for each plan. The financial reports may be obtained from the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois 62763.

**(a) *Teacher Retirement Insurance Plan (TRIP)***

The TRIP is accounted for in the Teacher Health Insurance Security Fund which was established to provide health insurance for the Illinois Teachers' Retirement System (TRS) annuitants and dependent beneficiaries. As of June 30, 2009, there were 1,007 school districts participating with approximately 55,710 annuitants and 9,833 dependents covered. The Department works in conjunction with the Illinois Teachers' Retirement System to administer the TRIP. The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Teacher Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in the administration of the fund

The responsibilities required of the TRS are:

- Enrollment of annuitants and dependents that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of 0.84 percent contributions from active teachers and 0.63 percent contributions from school districts for program funding purposes

**(b) *Community College Insurance Plan (CCIP)***

The CCIP is accounted for in the Community College Health Insurance Security Fund which was established to provide health and dental insurance for the Illinois community college retirees and dependent beneficiaries. As of June 30, 2009, there were 38 community colleges and 1 community college association participating with approximately 4,671 annuitants and 868 dependents covered. The Department works in conjunction with the State Universities Retirement System (SURS) to administer the CCIP. The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Community College Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in the administration of the fund

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

The responsibilities required of SURS are:

- Enrollment of annuitants and dependents that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of 0.5 percent contributions from active community college employees and community college districts for program funding purposes

**(14) Commitments and Contingencies**

**(a) *Operating leases***

The Department leases equipment, buildings and office space under terms of noncancelable operating lease agreements not extending past the end of the fiscal year, that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$5.832 million for the year ended June 30, 2009.

**(b) *Federal Funding***

The Department receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2009, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Department believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

**(c) *Litigation***

A statewide class action lawsuit existed at June 30, 2009 brought on behalf of individuals with mental retardation and other developmental disabilities (DD) who are allegedly required to reside in large privately-run congregate intermediate care facilities (ICF/DDs) as a condition of receiving services. A tentative settlement was reached during November 2008, but was rejected by the Court. Negotiations are continuing to develop a resolution of the case that will be satisfactory to the Court. The DD program is run by the Department of Human Services (DHS) and implementation of the settlement will be from the DHS budget with federal claiming implications for HFS.

A class action lawsuit pending on June 30, 2009 remains pending. The suit was filed on behalf of residents of Institutions for Mental Diseases (IMD) who seek to be moved to a more integrated (community) setting. The prayer for relief includes steps to be taken to enable plaintiffs to "receive services in the most integrated setting appropriate." DHS administers provision of mental health services to Illinois citizens. HFS administers qualifying medical assistance services to Medicaid eligible individuals in IMDs. DHS would administer the program associated with

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to the Financial Statements

June 30, 2009

any relief granted as a result of this pending litigation, with federal claiming implications for HFS.

A class action lawsuit pending on June 30, 2009 remains pending. This is a class action brought on behalf of Medicaid-eligible individuals with disabilities who desire to live in the community, but who are allegedly required to reside in skilled nursing facilities in Cook County as a condition of receiving services. On September 29, 2008, the Court certified that all Medicaid-eligible adults with disabilities in Cook County, Illinois, who are being, or may in the future be, unnecessarily confined to nursing facilities and who, with appropriate supports and services, may be able to live in a community setting. HFS administers medical assistance services provided through institutional settings. If relief is granted that results in the class receiving services in the community, that program is administered by DHS with federal claiming implications for HFS.

Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care that could require substantial increased financing of the litigated programs in the future. Because of the prospective nature of these matters and undeterminable exposure of loss, no provision for this potential exposure has been made in the accompanying basic financial statements.

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Required Supplementary Information

June 30, 2009

**Defined Benefit Other Postemployment Benefit Plans – Schedule of Funding Progress  
(Unaudited)**

The following schedule of funding progress (dollar amounts in thousands) for the State of Illinois' other postemployment retirement benefits (health, dental, vision, and life insurance) is provided for the two most recent actuarial valuations.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability ("AAL") Projected Unit Credit	(c) Unfunded AAL ("UAAL") (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c/e)
6/30/2007	\$ -	\$ 23,890,383	\$ 23,890,383	0.0%	\$ 6,872,740	347.6%
6/30/2009	\$ -	\$ 27,124,061	\$ 27,124,061	0.0%	\$ 7,091,656	382.5%

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Schedule of Accounts**  
**General Fund**

June 30, 2009 (Expressed in Thousands)

	General Revenue Account 0001	U of I Hospital Services 0136	County Hospital Services 0329	Care Provider with DD 0344	Long-Term Care Provider 0345	Hospital Provider 0346
<b>ASSETS</b>						
Unexpended appropriations	\$ 526,427	\$ -	\$ -	\$ 5	\$ -	\$ -
Cash equity with State Treasurer	1,136	22,106	1,279	18	63,765	155,816
Cash and cash equivalents	283	-	-	-	-	-
Due from other government - federal	1,236,843	37,091	57,053	6,357	131,926	49,856
Due from other government - local	-	-	13,200	-	4,739	-
Taxes receivable, net	-	-	-	239	3,292	8,905
Other receivables, net	5,489	-	4	-	30	103
Due from other Department funds	84,917	-	-	-	-	-
Due from other State funds	135	-	-	-	25	-
<b>Total assets</b>	<b>\$ 1,855,230</b>	<b>\$ 59,197</b>	<b>\$ 71,536</b>	<b>\$ 6,619</b>	<b>\$ 203,777</b>	<b>\$ 214,680</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 1,736,181	\$ -	\$ -	\$ 3	\$ 192,860	\$ 60,243
Due to other government - federal	307	-	-	-	3	-
Due to other government - local	-	-	71,536	-	10,899	-
Due to other State fiduciary funds	738	-	-	1	7	-
Due to other Department funds	333,806	22,105	-	1	8	-
Due to other State funds	8,378	-	-	-	-	-
Due to State of Illinois component units	8,041	46,110	-	-	-	26,400
Unavailable revenue	659,736	9,949	24,167	3,169	92,662	13,425
<b>Total liabilities</b>	<b>2,747,187</b>	<b>78,164</b>	<b>95,703</b>	<b>3,174</b>	<b>296,439</b>	<b>100,068</b>
<b>FUND BALANCES (DEFICITS)</b>						
Reserved for encumbrances	-	-	-	-	85	-
Unreserved, undesignated	(891,957)	(18,967)	(24,167)	3,445	(92,747)	114,612
Total fund balances (deficits)	(891,957)	(18,967)	(24,167)	3,445	(92,662)	114,612
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 1,855,230</b>	<b>\$ 59,197</b>	<b>\$ 71,536</b>	<b>\$ 6,619</b>	<b>\$ 203,777</b>	<b>\$ 214,680</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Schedule of Accounts**  
**General Fund**

June 30, 2009 (Expressed in Thousands)

	Special Education Medicaid Matching 0355	Trauma Center 0397	Public Assistance Recoveries Trust 0421	Medical Research and Development 0486	Post- Tertiary Clinical Services 0487	Juvenile Rehab Services Medicaid Matching 0575	Family Care 0720
<b>ASSETS</b>							
Unexpended appropriations	\$ -	\$ 3,435	\$ -	\$ -	\$ -	\$ -	-
Cash equity with State Treasurer	4,782	-	45,281	996	996	64	156
Cash and cash equivalents	-	-	-	-	-	-	-
Due from other government - federal	30,400	2,086	4,760	-	-	1,054	25
Due from other government - local	348	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-
Other receivables, net	-	-	65,529	-	-	-	-
Due from other Department funds	-	-	-	-	-	-	-
Due from other State funds	-	-	25	-	-	-	6,031
<b>Total assets</b>	<b>\$ 35,530</b>	<b>\$ 5,521</b>	<b>\$ 115,595</b>	<b>\$ 996</b>	<b>\$ 996</b>	<b>\$ 1,118</b>	<b>\$ 9,241</b>

<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ -	\$ 3,435	\$ 3,191	\$ -	\$ -	\$ -	\$ 7,546
Due to other government - federal	-	-	28	-	-	-	-
Due to other government - local	35,530	-	7,912	-	-	1,118	-
Due to other State fiduciary funds	-	-	66	-	-	-	-
Due to other Department funds	-	-	102,647	-	-	-	-
Due to other State funds	-	-	1,751	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	50
Unavailable revenue	12,278	-	4,622	-	-	938	-
<b>Total liabilities</b>	<b>47,808</b>	<b>3,435</b>	<b>120,217</b>	<b>-</b>	<b>-</b>	<b>2,056</b>	<b>7,596</b>

<b>FUND BALANCES (DEFICITS)</b>							
Reserved for encumbrances	-	-	-	-	-	-	-
Unreserved, undesignated	(12,278)	2,086	(4,622)	996	996	(938)	1,645
Total fund balances (deficits)	(12,278)	2,086	(4,622)	996	996	(938)	1,645
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 35,530</b>	<b>\$ 5,521</b>	<b>\$ 115,595</b>	<b>\$ 996</b>	<b>\$ 996</b>	<b>\$ 1,118</b>	<b>\$ 9,241</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Schedule of Accounts**  
**General Fund**

June 30, 2009 (Expressed in Thousands)

	Drug Rebate 0728	Medicaid Buy-in Program Revolving 0740	Medical Special Purpose Trust 0808	Eliminations	Total
<b>ASSETS</b>					
Unexpended appropriations	\$ -	\$ -	\$ -	-	\$ 529,867
Cash equity with State Treasurer	7,565	1,345	956	-	306,261
Cash and cash equivalents	-	-	-	-	283
Due from other government - federal	6,274	-	353	-	1,564,078
Due from other government - local	-	-	-	-	18,287
Taxes receivable, net	-	-	-	-	12,436
Other receivables, net	459	53	-	-	71,667
Due from other Department funds	39,749	-	-	-	-
Due from other State funds	-	-	-	(130,697)	-
<b>Total assets</b>	<b>\$ 54,047</b>	<b>\$ 1,398</b>	<b>\$ 1,309</b>	<b>\$ (130,697)</b>	<b>\$ 2,506,093</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 485	\$ 12	\$ 589	\$ -	\$ 2,004,545
Due to other government - federal	9,389	-	71	-	9,798
Due to other government - local	-	-	-	-	126,995
Due to other State fiduciary funds	-	1	7	-	820
Due to other Department funds	-	2	5	(130,697)	327,877
Due to other State funds	-	-	15	-	10,144
Due to State of Illinois component units	484	-	-	-	81,085
Unavailable revenue	10	7	33	-	820,996
<b>Total liabilities</b>	<b>10,368</b>	<b>22</b>	<b>720</b>	<b>(130,697)</b>	<b>3,382,260</b>
<b>FUND BALANCES (DEFICITS)</b>					
Reserved for encumbrances	-	1	-	-	86
Unreserved, undesignated	43,679	1,375	589	-	(876,253)
Total fund balances (deficits)	43,679	1,376	589	-	(876,167)
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 54,047</b>	<b>\$ 1,398</b>	<b>\$ 1,309</b>	<b>\$ (130,697)</b>	<b>\$ 2,506,093</b>

**State of Illinois  
Department of Healthcare and Family Services**

**Combining Schedule of Revenues,  
Expenditures and Changes in Fund Balance -  
General Fund**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	General Revenue Account 0001	U of I Hospital Services 0136	County Hospital Services 0329	Care Provider for Persons with DD 0344	Long-Term Care Provider 0345	Hospital Provider 0346
<b>REVENUES</b>						
Operating grants - federal	\$ 4,504,258	\$ 144,438	\$ 764,662	\$ 24,531	\$ 448,843	\$ 969,956
Other operating grants	-	56,356	715,166	-	50,685	-
Licenses and fees	17,729	-	-	-	-	-
Other charges for services	-	-	-	-	-	-
Interest and other investment income	30	-	176	-	1,010	465
Other taxes	-	-	-	18,964	223,896	904,869
Other	254,889	-	-	-	-	-
<b>Total revenues</b>	<b>4,776,906</b>	<b>200,794</b>	<b>1,480,004</b>	<b>43,495</b>	<b>724,434</b>	<b>1,875,290</b>
<b>EXPENDITURES</b>						
Health and social services	7,888,661	233,225	1,415,034	109	846,948	1,636,396
Education	438,209	-	-	-	-	-
Employment and economic development	14,157	-	-	-	-	-
General government	97,554	-	-	-	-	-
Transportation	5,748	-	-	-	-	-
Public protection and justice	299,812	-	-	-	-	-
Environment and business regulation	25,075	-	-	-	-	-
Capital outlays	30	-	-	-	-	-
<b>Total expenditures</b>	<b>8,769,246</b>	<b>233,225</b>	<b>1,415,034</b>	<b>109</b>	<b>846,948</b>	<b>1,636,396</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,992,340)</b>	<b>(32,431)</b>	<b>64,970</b>	<b>43,386</b>	<b>(122,514)</b>	<b>238,894</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	9,641,559	-	-	1,129	-	-
Lapsed appropriations	(85,076)	-	-	(1,020)	-	-
Receipts collected and transmitted to State Treasury	(5,091,277)	-	-	(41,967)	-	-
Amount of SAMS transfers-in	(102,787)	-	-	-	-	-
Amount of SAMS transfers-out	44,700	-	-	-	-	-
Transfers-in	89,239	44,700	-	-	30,000	-
Transfers-out	(102,901)	(9,239)	-	-	-	(130,365)
<b>Net other sources (uses) of financial resources</b>	<b>4,393,457</b>	<b>35,461</b>	<b>-</b>	<b>(41,858)</b>	<b>30,000</b>	<b>(130,365)</b>
<b>Net change in fund balances</b>	<b>401,117</b>	<b>3,030</b>	<b>64,970</b>	<b>1,528</b>	<b>(92,514)</b>	<b>108,529</b>
Fund balances (deficits), July 1, 2008	(1,293,074)	(21,997)	(89,137)	1,917	(148)	6,083
<b>FUND BALANCES (DEFICITS), JUNE 30, 2009</b>	<b>\$ (891,957)</b>	<b>\$ (18,967)</b>	<b>\$ (24,167)</b>	<b>\$ 3,445</b>	<b>\$ (92,662)</b>	<b>\$ 114,612</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Special Education Medicaid Matching 0355	Trauma Center 0397	Public Assistance Recoveries Trust 0421	Medical Research and Development 0486	Post-Tertiary Clinical Services 0487	Juvenile Rehab Services Medicaid Matching 0575	Family Care 0720
<b>REVENUES</b>							
Operating grants - federal	\$ 140,729	\$ 7,236	\$ 24,062	\$ 7,396	\$ 7,396	\$ 463	\$ 225
Other operating grants	-	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	-	-
Other charges for services	-	-	27,147	-	-	-	-
Interest and other investment income	-	-	-	-	-	-	18
Other taxes	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>140,729</b>	<b>7,236</b>	<b>51,209</b>	<b>7,396</b>	<b>7,396</b>	<b>463</b>	<b>243</b>
<b>EXPENDITURES</b>							
Health and social services	136,839	12,072	49,936	12,800	12,800	941	27,728
Education	-	-	-	-	-	-	-
Employment and economic development	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Public protection and justice	-	-	-	-	-	-	-
Environment and business regulation	-	-	-	-	-	-	-
Capital outlays	-	-	18	-	-	-	-
<b>Total expenditures</b>	<b>136,839</b>	<b>12,072</b>	<b>49,954</b>	<b>12,800</b>	<b>12,800</b>	<b>941</b>	<b>27,728</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,890</b>	<b>(4,836)</b>	<b>1,255</b>	<b>(5,404)</b>	<b>(5,404)</b>	<b>(478)</b>	<b>(27,485)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	-	15,000	-	-	-	-	-
Lapsed appropriations	-	(2,928)	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(6,790)	-	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-
Transfers-in	-	-	311	6,400	6,400	-	27,618
Transfers-out	-	-	(3,000)	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>5,282</b>	<b>(2,689)</b>	<b>6,400</b>	<b>6,400</b>	<b>-</b>	<b>27,618</b>
<b>Net change in fund balances</b>	<b>3,890</b>	<b>446</b>	<b>(1,434)</b>	<b>996</b>	<b>996</b>	<b>(478)</b>	<b>133</b>
Fund balances (deficits), July 1, 2008	(16,168)	1,640	(3,188)	-	-	(460)	1,512
<b>FUND BALANCES (DEFICITS), JUNE 30, 2009</b>	<b>\$ (12,278)</b>	<b>\$ 2,086</b>	<b>\$ (4,622)</b>	<b>\$ 996</b>	<b>\$ 996</b>	<b>\$ (938)</b>	<b>\$ 1,645</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Drug Rebate 0728	Medicaid Buy-in Program Revolving 0740	Medical Special Purpose Trust 0808	Eliminations	Total
<b>REVENUES</b>					
Operating grants - federal	\$ 244,671	\$ -	2,969	\$ -	7,291,835
Other operating grants	-	-	827	-	823,034
Licenses and fees	-	466	-	-	18,195
Other charges for services	-	-	-	(27,147)	-
Interest and other investment income	873	34	-	-	2,606
Other taxes	-	-	-	-	1,147,729
Other	-	-	-	-	254,889
<b>Total revenues</b>	<b>245,544</b>	<b>500</b>	<b>3,796</b>	<b>(27,147)</b>	<b>9,538,288</b>
<b>EXPENDITURES</b>					
Health and social services	237,741	217	4,689	(27,147)	12,488,989
Education	-	-	-	-	438,209
Employment and economic development	-	-	-	-	14,157
General government	-	-	-	-	97,554
Transportation	-	-	-	-	5,748
Public protection and justice	-	-	-	-	299,812
Environment and business regulation	-	-	-	-	25,075
Capital outlays	-	-	-	-	48
<b>Total expenditures</b>	<b>237,741</b>	<b>217</b>	<b>4,689</b>	<b>(27,147)</b>	<b>13,369,592</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>7,803</b>	<b>283</b>	<b>(893)</b>	<b>-</b>	<b>(3,831,304)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>					
Appropriations from State resources	-	-	-	-	9,657,688
Lapsed appropriations	-	-	-	-	(89,024)
Receipts collected and transmitted to State Treasury	-	-	-	-	(5,140,034)
Amount of SAMS transfers-in	-	-	-	-	(102,787)
Amount of SAMS transfers-out	-	-	-	-	44,700
Transfers-in	-	-	-	(183,017)	21,651
Transfers-out	(3,000)	(500)	(500)	183,017	(66,488)
<b>Net other sources (uses) of financial resources</b>	<b>(3,000)</b>	<b>(500)</b>	<b>(500)</b>	<b>-</b>	<b>4,325,706</b>
<b>Net change in fund balances</b>	<b>4,803</b>	<b>(217)</b>	<b>(1,393)</b>	<b>-</b>	<b>494,402</b>
Fund balances (deficits), July 1, 2008	38,876	1,593	1,982	-	(1,370,569)
<b>FUND BALANCES (DEFICITS), JUNE 30, 2009</b>	<b>\$ 43,679</b>	<b>\$ 1,376</b>	<b>\$ 589</b>	<b>\$ -</b>	<b>(876,167)</b>

**State of Illinois**  
**Department of Healthcare and Family Services**

**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**

June 30, 2009 (Expressed in Thousands)

		Special Revenue					
Illinois Prescription Drug Discount Program 0316	Provider Inquiry Trust 0341	Money Follows the		Department of		Good Samaritan Energy Trust 0555	
		Person Budget Transfer 0522	Reimbursement Fund 0523	Low Income Energy Assistance 0550	Supplemental		

**ASSETS**

Unexpended appropriations	-	-	-	-	-	-
Cash equity with State Treasurer	246	571	296	-	-	-
Due from other government - federal	-	-	294	-	-	-
Other receivables, net	-	235	-	-	-	-
Due from other Department funds	-	-	-	-	-	-
<b>Total assets</b>	<b>246</b>	<b>806</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>

**LIABILITIES**

Accounts payable and accrued liabilities	-	-	8	-	-	-
Due to other government - federal	-	-	-	-	-	-
Due to other government - local	-	-	-	-	-	-
Due to other State fiduciary funds	-	-	-	-	-	-
Due to other Department funds	-	-	-	-	-	-
Due to other State funds	-	151	-	-	-	-
Due to State of Illinois component units	-	-	205	-	-	-
Unavailable revenue	-	69	-	-	-	-
<b>Total liabilities</b>	<b>220</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>	<b>213</b>

**FUND BALANCES**

Unreserved, undesignated	246	586	377	-	-	-
Total fund balances	246	586	377	-	-	-
<b>Total liabilities and fund balances</b>	<b>246</b>	<b>806</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>

**State of Illinois  
Department of Healthcare and Family Services**

**Combining Balance Sheet -  
Nonmajor Governmental Funds**

June 30, 2009 (Expressed in Thousands)

		Special Revenue						
FY09 Budget Relief 0678	Financial Institutions Settlement 0679	Tobacco Settlement Recovery 0733	Child Support Administration 0757	Home Energy Assistance Block Grant 0870	Total			
\$ 3,000	\$ -	\$ 23,936	\$ -	\$ -	\$ 26,936			
-	-	-	43,466	-	44,579			
-	-	19,819	17,760	-	37,873			
-	-	8,470	13,264	-	21,969			
-	-	-	3,773	-	3,773			
<b>\$ 3,000</b>	<b>\$ -</b>	<b>\$ 52,225</b>	<b>\$ 78,263</b>	<b>\$ -</b>	<b>\$ 135,130</b>			
<b>ASSETS</b>								
Unexpended appropriations								
Cash equity with State Treasurer								
Due from other government - federal								
Other receivables, net								
Due from other Department funds								
<b>Total assets</b>								
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities								
Due to other government - federal								
Due to other government - local								
Due to other State fiduciary funds								
Due to other Department funds								
Due to other State funds								
Due to State of Illinois component units								
Unavailable revenue								
<b>Total liabilities</b>								
\$ 2,470	\$ -	\$ 7,483	\$ 5,569	\$ -	\$ 15,530			
-	-	16,970	14,509	-	31,479			
530	-	-	6,642	-	7,172			
-	-	-	557	-	557			
-	-	-	841	-	841			
-	-	-	9,760	-	9,911			
-	-	-	-	-	205			
-	-	1,043	3,248	-	4,360			
<b>3,000</b>	<b>-</b>	<b>25,496</b>	<b>41,126</b>	<b>-</b>	<b>70,055</b>			
<b>FUND BALANCES</b>								
Unreserved, undesignated								
Total fund balances								
-	-	26,729	37,137	-	65,075			
-	-	26,729	37,137	-	65,075			
<b>\$ 3,000</b>	<b>\$ -</b>	<b>\$ 52,225</b>	<b>\$ 78,263</b>	<b>\$ -</b>	<b>\$ 135,130</b>			

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Special Revenue						
	Illinois Prescription Drug Discount Program 0316	Provider Inquiry Trust 0341	Follows the Person Budget Transfer 0522	Department of Corrections Reimbursement Fund 0523	Supplemental Low Income Energy Assistance 0550	Good Samaritan Energy Trust 0555	
<b>REVENUES</b>							
Operating grants - federal	\$ -	\$ -	\$ 398	\$ 24	\$ -	\$ -	
Public utility taxes	-	-	-	-	4,000	-	
License and fees	-	814	-	-	-	-	
Other charges for services	-	-	-	-	-	-	
Other	1	-	-	-	-	-	
<b>Total revenues</b>	<b>1</b>	<b>814</b>	<b>398</b>	<b>24</b>	<b>4,000</b>	<b>-</b>	
<b>EXPENDITURES</b>							
Health and social services	-	732	971	-	77,474	-	
<b>Total expenditures</b>	<b>-</b>	<b>732</b>	<b>971</b>	<b>-</b>	<b>77,474</b>	<b>-</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1</b>	<b>82</b>	<b>(573)</b>	<b>24</b>	<b>(73,474)</b>	<b>-</b>	
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	-	-	-	-	77,748	-	
Lapsed appropriations	-	-	-	-	(2)	-	
Receipts collected and transmitted to State Treasury	-	-	-	(50)	(8,272)	-	
Transfers-in	-	-	950	-	-	-	
Transfers-out	-	(250)	-	-	-	-	
Transfer of administration of funds to other State agencies	-	-	-	-	-	(26)	
<b>Net other sources (uses) of financial resources</b>	<b>-</b>	<b>(250)</b>	<b>950</b>	<b>(50)</b>	<b>69,474</b>	<b>(26)</b>	
<b>Net change in fund balances</b>	<b>1</b>	<b>(168)</b>	<b>377</b>	<b>(26)</b>	<b>(4,000)</b>	<b>(26)</b>	
Fund balances, July 1, 2008	245	754	-	26	4,000	26	
<b>FUND BALANCES, JUNE 30, 2009</b>	<b>\$ 246</b>	<b>\$ 586</b>	<b>\$ 377</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Special Revenue							
	FY09 Budget Relief 0678	Financial Institutions Settlement 0679	Tobacco Settlement Recovery 0733	Child Support Administration 0757	Home Energy Assistance Block Grant 0870	Low Income	Total	
<b>REVENUES</b>								
Operating grants - federal	\$ -	\$ -	\$ 432,990	\$ 123,797	\$ -	\$ -	\$ 557,209	
Public utility taxes	-	-	-	-	-	-	4,000	
License and fees	-	-	-	-	-	-	814	
Other charges for services	-	-	-	19,643	-	-	19,643	
Other	-	-	-	-	-	-	1	
<b>Total revenues</b>	-	-	432,990	143,440	-	-	581,667	
<b>EXPENDITURES</b>								
Health and social services	3,000	50,675	766,686	176,341	-	-	1,075,879	
<b>Total expenditures</b>	3,000	50,675	766,686	176,341	-	-	1,075,879	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(3,000)	(50,675)	(333,696)	(32,901)	-	-	(494,212)	
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>								
Appropriations from State resources	3,000	-	766,800	-	-	-	847,548	
Lapsed appropriations	-	-	(162)	-	-	-	(164)	
Receipts collected and transmitted to State Treasury	-	-	(452,479)	-	-	-	(460,801)	
Transfers-in	-	50,675	-	38,173	-	-	89,798	
Transfers-out	-	-	(12,800)	(1,000)	-	-	(14,050)	
Transfer of administration of funds to other State agencies	-	-	-	-	-	1	(25)	
<b>Net other sources (uses) of financial resources</b>	3,000	50,675	301,359	37,173	1	1	462,306	
<b>Net change in fund balances</b>	-	-	(32,337)	4,272	1	1	(31,906)	
Fund balances, July 1, 2008	-	-	59,066	32,865	(1)	(1)	96,981	
<b>FUND BALANCES, JUNE 30, 2009</b>	\$ -	\$ -	\$ 26,729	\$ 37,137	\$ -	\$ -	\$ 65,075	

**State of Illinois**

**Department of Healthcare and Family Services**

**Combining Statement of Fiduciary Net Assets  
Pension (and Other Employee Benefit) Trust Funds**

June 30, 2009 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
<b>ASSETS</b>			
Cash equity with State Treasurer	\$ 68,254	\$ 3,927	\$ 72,181
Cash and cash equivalents	5,637	137	5,774
Receivables, net:			
Federal government	6,175	570	6,745
Employee	5,031	218	5,249
Employer	3,773	218	3,991
Interest and investment income	39	3	42
Other	4,905	425	5,330
<b>Total assets</b>	<b>93,814</b>	<b>5,498</b>	<b>99,312</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	38,947	4,026	42,973
Intergovernmental payables	2	1	3
Due to other State fiduciary funds	6	2	8
Due to other Department funds	8	4	12
Due to other State funds	170	12	182
Long-term obligations:			
Due within one year	1	-	1
Due subsequent to one year	77	7	84
<b>Total liabilities</b>	<b>39,211</b>	<b>4,052</b>	<b>43,263</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS</b>	<b>\$ 54,603</b>	<b>\$ 1,446</b>	<b>\$ 56,049</b>

**State of Illinois**

**Department of Healthcare and Family Services**

**Combining Statement of Changes in Fiduciary Net Assets  
Pension (and Other Employee Benefit) Trust Funds**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 66,312	\$ 3,646	\$ 69,958
State	75,474	3,916	79,390
Plan members:			
Active	88,416	3,646	92,062
Retiree	148,726	12,528	161,254
Terminated employees	220	2	222
Federal Medicare Part D	22,285	2,011	24,296
Total contributions	401,433	25,749	427,182
Investment income:			
Interest and other investment income	1,388	150	1,538
Net investment income	1,388	150	1,538
<b>Total additions</b>	402,821	25,899	428,720
<b>DEDUCTIONS</b>			
Benefit payments and refunds	408,243	31,158	439,401
General and administration	2,220	627	2,847
<b>Total deductions</b>	410,463	31,785	442,248
<b>Net additions (deductions)</b>	(7,642)	(5,886)	(13,528)
Net assets held in trust for pension and other employee benefits, July 1, 2008	62,245	7,332	69,577
<b>NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS, JUNE 30, 2009</b>	\$ 54,603	\$ 1,446	\$ 56,049

**State of Illinois**  
**Department of Healthcare and Family Services**

**Combining Statement of Fiduciary Net Assets**

**Agency Funds**

June 30, 2009 (Expressed in Thousands)

	Child Support Enforcement Trust 0957	Child Support Enforcement Trust - SDU 2957	Total
<b>ASSETS</b>			
Cash equity with State Treasurer	\$ 14,854	\$ -	\$ 14,854
Cash and cash equivalents	227	1,132	1,359
Other receivables, net	217,914	72	217,986
<b>Total assets</b>	<b>\$ 232,995</b>	<b>\$ 1,204</b>	<b>\$ 234,199</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 17,531	\$ 1,204	\$ 18,735
Other liabilities	215,464	-	215,464
<b>Total liabilities</b>	<b>\$ 232,995</b>	<b>\$ 1,204</b>	<b>\$ 234,199</b>

**State of Illinois**

**Department of Healthcare and Family Services**

**Combining Statement of Changes in Assets and Liabilities**

**Agency Funds**

For the Year Ended June 30, 2009 (Expressed in Thousands)

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
<b>Child Support Enforcement Trust (0957)</b>				
<b>ASSETS</b>				
Cash equity with State Treasurer	\$ 16,445	\$ 194,630	\$ 196,221	\$ 14,854
Cash and cash equivalents	274	65,584	65,631	227
Other receivables, net	199,758	212,786	194,630	217,914
<b>Total assets</b>	<b>\$ 216,477</b>	<b>\$ 473,000</b>	<b>\$ 456,482</b>	<b>\$ 232,995</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 17,294	\$ 47,325	\$ 47,088	\$ 17,531
Other liabilities	199,183	231,045	214,764	215,464
<b>Total liabilities</b>	<b>\$ 216,477</b>	<b>\$ 278,370</b>	<b>\$ 261,852</b>	<b>\$ 232,995</b>
<b>Child Support Enforcement Trust - SDU (2957)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,755	\$ 1,057,625	\$ 1,059,248	\$ 1,132
Other receivables, net	89	857	874	72
<b>Total assets</b>	<b>\$ 2,844</b>	<b>\$ 1,058,482</b>	<b>\$ 1,060,122</b>	<b>\$ 1,204</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,844	\$ 1,057,608	\$ 1,059,248	\$ 1,204
<b>Total liabilities</b>	<b>\$ 2,844</b>	<b>\$ 1,057,608</b>	<b>\$ 1,059,248</b>	<b>\$ 1,204</b>
<b>Total</b>				
<b>ASSETS</b>				
Cash equity with State Treasurer	\$ 16,445	\$ 194,630	\$ 196,221	\$ 14,854
Cash and cash equivalents	3,029	1,123,209	1,124,879	1,359
Other receivables, net	199,847	213,643	195,504	217,986
<b>Total assets</b>	<b>\$ 219,321</b>	<b>\$ 1,531,482</b>	<b>\$ 1,516,604</b>	<b>\$ 234,199</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 20,138	\$ 1,104,933	\$ 1,106,336	\$ 18,735
Other liabilities	199,183	231,045	214,764	215,464
<b>Total liabilities</b>	<b>\$ 219,321</b>	<b>\$ 1,335,978</b>	<b>\$ 1,321,100</b>	<b>\$ 234,199</b>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2009

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
  - Schedule of Expenditures of Federal Awards
  - Notes to the Schedule of Expenditures of Federal Awards
  - Schedule of Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  - Locally Held Funds – Cash Basis Schedule
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the Comptroller
  - Analysis of Significant Variations in Expenditures
  - Analysis of Significant Variations in Receipts
  - Analysis of Significant Lapse Period Spending
  - Analysis of Significant Balance Sheet Accounts
  - Analysis of Accounts Receivable
  - Indirect Cost Reimbursements (Unaudited)
  - Schedule of Adjudication Pattern, Payment Patterns and Claims Paid (Unaudited)
  
- Analysis of Operations:
  - Department Functions and Planning Program
  - Average Number of Employees
  - Fiscal Year Statistics - Medicaid Enrollment (Unaudited)
  - Emergency Purchases
  - Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2009  
(expressed in thousands)

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services:</b>		
Medicaid Cluster:		
Medical Assistance Program	93.778	\$ 6,901,166
Medical Assistance Program (ARRA)	93.778	920,212
State Survey and Certification of Health Care Providers and Suppliers	93.777	9,874
Total Medicaid Cluster		<u>7,831,252</u>
Child Support Enforcement	93.563	130,881
Child Support Enforcement (ARRA)	93.563	6,347
Low-Income Home Energy Assistance	93.568	1,077
Grants to States for Access and Visitation Programs	93.597	354
Child Support Enforcement Demonstrations and Special Projects	93.601	78
State Children's Health Insurance Program	93.767	238,836
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	352
Alternative Non-Emergency Service Providers or Networks	93.790	569
Medicaid Transformation Grants	93.793	1,488
<b>Total U.S. Department of Health and Human Services</b>		<u>8,211,234</u>
<b>U.S. Department of Energy:</b>		
Weatherization Assistance for Low-Income Persons	81.042	1,632
<b>Total U.S. Department of Energy</b>		<u>1,632</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 8,212,866</u></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2009

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) of the State of Illinois, Department of Healthcare and Family Services (the Department) for the year ended June 30, 2009 is presented on the cash basis of accounting for expenditures. Such basis differs from the modified accrual basis of accounting because it does not include costs incurred prior to the end of the year, but not paid, and includes costs paid during the current year but reported in the prior year.

**(2) Subrecipients**

Of the federal expenditures presented in the accompanying Schedule, the Department provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided Subrecipients</u>
Medical Assistance Program	93.778	\$ 89,006
Child Support Enforcement	93.563	20,069
Grants to States for Access and Visitation Programs	93.597	347

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2009

**(3) Descriptions of Major Federal Programs**

The following summarizes the major federal programs for the year ended June 30, 2009.

Medical Assistance Program CFDA #93.778

Federal Agency: Centers for Medicare and Medicaid Services  
Department of Health and Human Services

State Match: 50.32% to 61.88% (varies among programs)

The objective of the Medical Assistance Program is to provide financial assistance to states for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements, and other categorically-eligible groups. Financial assistance is also provided to states to pay for Medicare premiums, co-payments and deductibles of qualified Medicare beneficiaries meeting certain income requirements. More limited financial assistance is available for certain Medicare beneficiaries with higher incomes. In addition, the federal government under this program pays 50 percent of the expenses relating to most state administrative costs for Medicaid.

The American Recovery and Reinvestment Act (ARRA) provided increased federal matching for eligible Title XIX expenditures effective October 1, 2008. From October 2008 through March 2009, the increased ARRA match rate was 60.48% and, from April 2009 through June 2009, the ARRA rate was 61.88%.

State Children's Insurance Program (SCHIP) CFDA #93.767

Federal Agency: Centers for Medicare and Medicaid Services  
Department of Health and Human Services

State Match: 65.22%

The objective of the SCHIP is to provide funds to states to enable them to maintain and expand child health assistance to uninsured, low-income children. Assistance is provided by three methods (1) obtain health insurance coverage that meets the requirements in Section 2103 relating to the amount, duration, and scope of benefits; (2) expand eligibility for children under the State's Medicaid program; or a combination of the two.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2009

**(3) Descriptions of Major Federal Programs (Continued)**

*Child Support Enforcement CFDA #93.563*

Federal Agency: Administration for Children and Families  
Department of Health and Human Services

State Match: 66% (varies among programs)

The objective of the Title IV-D Program is to enforce the support obligation owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support. The State takes over the role of the absentee parent and provides payments to the family based on need and hardship level. The State then attempts to collect the support payments from the parent.

**(4) Other Agency Federal Programs Expenditures**

In addition to expenditures made by the Department, other State Agencies, Local Governments and Local Education Agencies also pay for federally reimbursable costs associated with the above federal programs. The Department claims eligible amounts for federal reimbursement as part of its standard claiming process with the U.S. Department of Health and Human Services. The resulting reimbursement is then deposited into the appropriate State fund.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2009  
(expressed in thousands)

P.A. 95-0734, 95-1017, 95-1030, 96-0004	Appropriations (Net after transfers)	Expenditures through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<b>General Revenue Fund - 0001</b>					
Administrative:					
Program/Administrative Level	\$ 38,816	\$ 33,737	\$ 2,079	\$ 35,816	\$ 3,000
Inspector General	17,901	16,043	818	16,861	1,040
Attorney General	2,498	1,910	107	2,017	481
Medical	64,871	51,543	4,307	55,850	9,021
Deposit into Child Support Administrative Fund	38,173	38,173	-	38,173	-
Group Insurance	1,057,891	957,891	100,000	1,057,891	-
Healthcare Shared Services Center	4,178	3,518	249	3,767	411
Total Administrative and Group Insurance	<u>1,224,328</u>	<u>1,102,815</u>	<u>107,560</u>	<u>1,210,375</u>	<u>13,953</u>
Medical Assistance:					
Physicians	946,157	902,928	40,233	943,161	2,996
Hospital In-Patient	3,283,341	3,263,749	19,588	3,283,337	4
Prescribed Drugs	925,189	743,297	129,023	872,320	52,869
Optometrists	36,523	33,349	2,764	36,113	410
Podiatrists	6,639	6,108	521	6,629	10
Chiropractors	1,870	1,316	116	1,432	438
Federally Defined Institutions for Mental Diseases	168,987	145,249	23,506	168,755	232
Supportive Living Facilities	118,085	99,444	18,269	117,713	372
Skilled and Intermediate Long-Term Care	1,080,991	925,625	154,040	1,079,665	1,326
Dentists	205,493	200,787	4,676	205,463	30
Community Health Centers	302,372	275,529	21,235	296,764	5,608
Appliances	108,356	100,942	5,730	106,672	1,684
Independent Laboratories	67,360	62,833	4,518	67,351	9
Transportation	113,739	103,412	7,047	110,459	3,280
Other Related Medical Services	197,965	185,039	11,814	196,853	1,112
Hospice Care	96,853	89,332	7,521	96,853	-
Home Health Care, Therapy and Nursing Services	85,704	77,608	8,055	85,663	41
Division of Special Care for Children	72,830	66,967	5,863	72,830	-
Medicare Part A and B Premiums	303,430	303,430	-	303,430	-
Renal Disease Medical Care	1,532	1,390	113	1,503	29
Hemophilia Medical Care	14,255	13,274	772	14,046	209
Sexual Assault Victims Medical Care	2,397	1,977	121	2,098	299
Children Health Insurance	8,582	8,173	405	8,578	4
Health Maintenance Organizations and Managed Care	265,519	245,989	19,479	265,468	51
Gilead Outreach and Referral Center	500	500	-	500	-
Altgeld Clinic Grants	400	400	-	400	-
Total Medical Assistance	<u>8,415,069</u>	<u>7,858,647</u>	<u>485,409</u>	<u>8,344,056</u>	<u>71,013</u>
Kid Care Refunds	243	125	118	243	-
Total General Revenue Fund - 0001	<u>\$ 9,639,640</u>	<u>\$ 8,961,587</u>	<u>\$ 593,087</u>	<u>\$ 9,554,674</u>	<u>\$ 84,966</u>

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2009  
(expressed in thousands)

P.A. 95-0734, 95-1017, 95-1030, 96-0004	Appropriations (Net after transfers)	Expenditures through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<b>Road Fund - 0011</b>	\$ 142,997	\$ 142,997	\$ -	\$ 142,997	\$ -
<b>University of Illinois Hospital Services Fund - 0136</b>	\$ 270,000	\$ 234,539	\$ 29,550	\$ 264,089	\$ 5,911
<b>County Hospital Services Fund - 0329</b>					
Administrative Expenses	\$ 500	\$ -	\$ -	\$ -	\$ 500
Hospital Provider	1,981,119	1,474,960	4,121	1,479,081	502,038
Overpayment Assessment Refunds	1,000	-	-	-	1,000
Total County Hospital Services Fund - 0329	<u>\$ 1,982,619</u>	<u>\$ 1,474,960</u>	<u>\$ 4,121</u>	<u>\$ 1,479,081</u>	<u>\$ 503,538</u>
<b>Provider Inquiry Trust Fund - 0341</b>	<u>\$ 1,500</u>	<u>\$ 582</u>	<u>\$ 150</u>	<u>\$ 732</u>	<u>\$ 768</u>
<b>Care Provider for Persons with Developmental Disabilities Fund - 0344</b>					
Administrative Expenses	\$ 129	\$ 104	\$ 5	\$ 109	\$ 20
Overpayment Assessment Refunds	1,000	-	-	-	1,000
Total Care Provider for Persons with Developmental Disabilities Fund - 0344	<u>\$ 1,129</u>	<u>\$ 104</u>	<u>\$ 5</u>	<u>\$ 109</u>	<u>\$ 1,020</u>
<b>Long-Term Care Provider Fund - 0345</b>					
Administrative Expenses	\$ 2,238	\$ 845	\$ 54	\$ 899	\$ 1,339
Long-Term Care Provider Services	924,428	632,595	54,151	686,746	237,682
Overpayment Assessment Refunds	2,750	53	38	91	2,659
Healthcare Shared Services Center	71	71	-	71	-
Total Long-Term Care Provider Fund - 0345	<u>\$ 929,487</u>	<u>\$ 633,564</u>	<u>\$ 54,243</u>	<u>\$ 687,807</u>	<u>\$ 241,680</u>
<b>Hospital Provider Fund - 0346</b>					
Hospitals	\$ 1,610,000	\$ 1,549,753	\$ 60,244	\$ 1,609,997	\$ 3
Overpayment Assessment Refunds	5,000	-	-	-	5,000
Total Hospital Provider Fund - 0346	<u>\$ 1,615,000</u>	<u>\$ 1,549,753</u>	<u>\$ 60,244</u>	<u>\$ 1,609,997</u>	<u>\$ 5,003</u>
<b>Special Education Medicaid Matching Fund - 0355</b>	<u>\$ 200,000</u>	<u>\$ 118,413</u>	<u>\$ 18,205</u>	<u>\$ 136,618</u>	<u>\$ 63,382</u>
<b>Trauma Center Fund - 0397</b>	<u>\$ 15,000</u>	<u>\$ 8,636</u>	<u>\$ 3,435</u>	<u>\$ 12,071</u>	<u>\$ 2,929</u>

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2009  
(expressed in thousands)

P.A. 95-0734, 95-1017, 95-1030, 96-0004	Appropriations (Net after transfers)	Expenditures through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<b>Public Assistance Recoveries Trust Fund - 0421</b>					
Personal Services	\$ 7,997	\$ 6,907	\$ 322	\$ 7,229	\$ 768
State Contribution to State Employees' Retirement System	1,423	1,418	5	1,423	-
Social Security	612	511	26	537	75
Group Insurance	1,996	1,621	81	1,702	294
Contractual Services	25,996	7,576	4,512	12,088	13,908
Travel	120	46	4	50	70
Commodities	37	25	8	33	4
Printing	10	4	-	4	6
Equipment	2,000	2	-	2	1,998
Telecommunications Services	228	57	15	72	156
Healthcare Shared Services Center	1,124	844	56	900	224
Total Public Assistance Recoveries Trust Fund - 0421	<u>\$ 41,543</u>	<u>\$ 19,011</u>	<u>\$ 5,029</u>	<u>\$ 24,040</u>	<u>\$ 17,503</u>
<b>Medical Research and Development Fund - 0486</b>	<u>\$ 12,800</u>	<u>\$ 12,800</u>	<u>\$ -</u>	<u>\$ 12,800</u>	<u>\$ -</u>
<b>Post-Tertiary Clinical Services Fund - 0487</b>	<u>\$ 12,800</u>	<u>\$ 12,800</u>	<u>\$ -</u>	<u>\$ 12,800</u>	<u>\$ -</u>
<b>Money Follows the Person Budget Transfer Fund - 0522</b>	<u>\$ 11,000</u>	<u>\$ 758</u>	<u>\$ 213</u>	<u>\$ 971</u>	<u>\$ 10,029</u>
<b>Supplemental Low Income Energy Assistance Fund - 0550</b>	<u>\$ 77,748</u>	<u>\$ 77,746</u>	<u>\$ -</u>	<u>\$ 77,746</u>	<u>\$ 2</u>
<b>Juvenile Rehabilitation Services Medicaid Matching Fund- 0575</b>	<u>\$ 8,500</u>	<u>\$ 317</u>	<u>\$ 87</u>	<u>\$ 404</u>	<u>\$ 8,096</u>
<b>FY09 Budget Relief Fund - 0678</b>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>
<b>Family Care Fund - 0720</b>	<u>\$ 40,000</u>	<u>\$ 23,311</u>	<u>\$ 6,208</u>	<u>\$ 29,519</u>	<u>\$ 10,481</u>
<b>Drug Rebate Fund- 0728</b>	<u>\$ 432,000</u>	<u>\$ 421,633</u>	<u>\$ 10,338</u>	<u>\$ 431,971</u>	<u>\$ 29</u>
<b>Tobacco Settlement Recovery Fund - 0733</b>					
Deposit into Medical Research and Development Fund	\$ 6,400	\$ 6,400	\$ -	\$ 6,400	\$ -
Deposit into Post-Tertiary Clinical Services Fund	6,400	6,400	-	6,400	-
Catastrophic Relief Payment	40,000	39,869	-	39,869	131
Outstanding Payments to Hospitals	133,400	133,375	-	133,375	25
Prescribed Drugs	580,600	556,658	23,936	580,594	6
Total Tobacco Settlement Recovery Fund - 0733	<u>\$ 766,800</u>	<u>\$ 742,702</u>	<u>\$ 23,936</u>	<u>\$ 766,638</u>	<u>\$ 162</u>

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2009  
(expressed in thousands)

P.A. 95-0734, 95-1017, 95-1030, 96-0004	Appropriations (Net after transfers)	Expenditures through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<b>Energy Administration Fund - 0737</b>					
Personal Services	\$ 168	\$ 168	\$ -	\$ 168	\$ -
State Contribution to State Employees' Retirement System	35	35	-	35	-
Social Security	13	13	-	13	-
Group Insurance	41	41	-	41	-
Travel	17	17	-	17	-
Equipment	8	8	-	8	-
Nonprofit Community Organization Grants	8,455	8,455	-	8,455	-
Total Energy Administration Fund - 0737	<u>\$ 8,737</u>	<u>\$ 8,737</u>	<u>\$ -</u>	<u>\$ 8,737</u>	<u>\$ -</u>
<b>Medicaid Buy-in Program Revolving Fund - 0740</b>	<u>\$ 300</u>	<u>\$ 202</u>	<u>\$ 15</u>	<u>\$ 217</u>	<u>\$ 83</u>
<b>Child Support Administration Fund - 0757</b>					
Personal Services	\$ 58,808	\$ 52,598	\$ 2,535	\$ 55,133	\$ 3,675
Employee Retirement Contributions paid by Employer	74	65	3	68	6
State Contribution to State Employees' Retirement System	10,466	10,142	324	10,466	-
Social Security	4,499	3,876	188	4,064	435
Group Insurance	15,558	12,845	817	13,662	1,896
Contractual Services	64,874	43,435	14,429	57,864	7,010
Travel	529	377	34	411	118
Commodities	312	235	14	249	63
Printing	154	130	10	140	14
Equipment	1,019	76	2	78	941
Telecommunications Services	4,221	1,965	1,281	3,246	975
Enhanced Collection Efforts and Paternity Adjudication Demo	11,059	7,140	927	8,067	2,992
Child Support Enforcement Demonstration Projects	1,000	393	46	439	561
State Disbursement Unit Costs	16,643	13,919	1,255	15,174	1,469
Healthcare Shared Services Center	3,242	2,548	186	2,734	508
Total Child Support Administration Fund - 0757	<u>\$ 192,458</u>	<u>\$ 149,744</u>	<u>\$ 22,051</u>	<u>\$ 171,795</u>	<u>\$ 20,663</u>
<b>Medical Special Purpose Trust Fund - 0808</b>	<u>\$ 9,788</u>	<u>\$ 4,094</u>	<u>\$ 605</u>	<u>\$ 4,699</u>	<u>\$ 5,089</u>

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2009  
(expressed in thousands)

P.A. 95-0734, 95-1017, 95-1030, 96-0004	Appropriations (Net after transfers)	Expenditures through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<b>Low Income Home Energy Assistance Block Grant Fund - 0870</b>					
Personal Services	\$ 987	\$ 987	\$ -	\$ 987	\$ -
State Contribution to State Employees' Retirement System	208	208	-	208	-
Social Security	73	73	-	73	-
Group Insurance	198	198	-	198	-
Contractual Services	188	188	-	188	-
Travel	64	64	-	64	-
Commodities	8	8	-	8	-
Printing	10	10	-	10	-
Equipment	3	3	-	3	-
Telecommunications Services	32	32	-	32	-
System Development / Maintenance	34	34	-	34	-
Weatherization Program Grants	138,142	138,142	-	138,142	-
Total Low Income Home Energy Assistance Block Grant Fund - 0870	<u>\$ 139,947</u>	<u>\$ 139,947</u>	<u>\$ -</u>	<u>\$ 139,947</u>	<u>\$ -</u>
<b>Health Insurance Reserve Fund - 0907</b>	<u>\$ 1,877,541</u>	<u>\$ 1,553,297</u>	<u>\$ 207,639</u>	<u>\$ 1,760,936</u>	<u>\$ 116,605</u>
<b>TOTAL - ALL APPROPRIATED FUNDS</b>	<u>\$ 18,432,334</u>	<u>\$ 16,292,234</u>	<u>\$ 1,042,161</u>	<u>\$ 17,334,395</u>	<u>\$ 1,097,939</u>

119

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2009  
(expressed in thousands)

P.A. 95-0734, 95-1017, 95-1030, 96-0004	Appropriations (Net after transfers)	Expenditures through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<b><u>CONTINUING AND NON-APPROPRIATED FUNDS</u></b>					
<b>General Revenue Fund - 0001</b>					
Pension Continuing Appropriation	N/A	\$ 1,274	\$ 532	\$ 1,806	N/A
<b>Local Government Health Insurance Reserve Fund - 0193</b>					
Healthcare and Administrative Expenses	N/A	\$ 55,109	\$ 1,328	\$ 56,437	N/A
Healthcare Shared Services Center	N/A	85	4	89	N/A
Total Local Government Health Insurance Reserve Fund - 0193		\$ 55,194	\$ 1,332	\$ 56,526	
<b>Teacher Health Insurance Security Fund - 0203</b>					
Administrative Expenses	N/A	\$ 354	\$ 19	\$ 373	N/A
Health Care Coverage	N/A	401,312	10,605	411,917	N/A
Total Teacher Health Insurance Security Fund - 0203		\$ 401,666	\$ 10,624	\$ 412,290	
<b>Public Assistance Recoveries Trust Fund - 0421</b>					
Payment to Local Gov. for Serv. to Recip.	N/A	\$ 20,792	\$ 3,139	\$ 23,931	N/A
Federal Share Due To General Revenue Fund	N/A	229,980	18,624	248,604	N/A
Refund of TPL Recoveries	N/A	456	-	456	N/A
Refund of Non-TPL Recoveries	N/A	929	2	931	N/A
Non-Administrative Expenses	N/A	80	-	80	N/A
Early Intervention - Due DHS	N/A	30	20	50	N/A
Pension Continuing Appropriation	N/A	-	101	101	N/A
Total Public Assistance Recoveries Trust Fund - 0421		\$ 252,267	\$ 21,886	\$ 274,153	
<b>Community College Health Insurance Security Fund - 0577</b>					
Administrative Expenses	N/A	\$ 5	\$ 1	\$ 6	N/A
Health Care Coverage	N/A	29,760	2,216	31,976	N/A
Total Community College Health Insurance Security Fund - 0577		\$ 29,765	\$ 2,217	\$ 31,982	
<b>Financial Institutions Settlement 2008 Fund - 0679</b>					
Outstanding Medical Assistance Payments	N/A	\$ 50,675	-	\$ 50,675	N/A
<b>Child Support Administration Fund - 0757</b>					
Pension Continuing Appropriation	N/A	\$ 938	\$ 212	\$ 1,150	N/A

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2009  
(expressed in thousands)

P.A. 95-0734, 95-1017, 95-1030, 96-0004	Appropriations (Net after transfers)	Expenditures through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<b>Child Support Enforcement Trust Fund - 0957</b>					
Redirects:					
Illinois TANF Excess Child Support Clients	N/A	\$ 2,154	\$ -	\$ 2,154	N/A
Out-of-State TANF Clients	N/A	10,165	37	10,202	N/A
Illinois Non-TANF Clients	N/A	139,053	290	139,343	N/A
Out-of-State Non-TANF Clients	N/A	44,406	473	44,879	N/A
<b>Total Redirects</b>		<u>195,778</u>	<u>800</u>	<u>196,578</u>	
Refunds\Payments to Other Agencies:					
Refund Responsible Relative - IRS Offsets	N/A	4,356	-	4,356	N/A
Refund Responsible Relative - IRS pre N/A	N/A	44	-	44	N/A
Refund Responsible Relative - State Offsets	N/A	606	-	606	N/A
Refund Responsible Relative - State pre N/A	N/A	4	-	4	N/A
Refund Responsible Relative - Courts or Third Parties	N/A	1,273	-	1,273	N/A
Refund Responsible Relative - Courts or Third Parties N/A Out of State	N/A	15	-	15	N/A
Refunds/IRS Offset Nonpublic Aid Clients	N/A	118	-	118	N/A
Refunds/State Offset Nonpublic Aid Clients	N/A	31	-	31	N/A
Refund - Nonassistance Clients	N/A	3,321	4	3,325	N/A
Fund Transfer	N/A	18	5	23	N/A
Interest Penalty/State Refund	N/A	1	1	2	N/A
Interest Paid to Clients, DCFS, Others	N/A	1,888	-	1,888	N/A
Reimburse DCFS Title IV-E	N/A	2,391	327	2,718	N/A
<b>Total Refunds\Payments to Other Agencies</b>		<u>14,066</u>	<u>337</u>	<u>14,403</u>	
<b>Total Child Support Enforcement Trust Fund - 0957</b>		<u>\$ 209,844</u>	<u>\$ 1,137</u>	<u>\$ 210,981</u>	
<b>TOTAL - ALL CONTINUING AND NON-APPROPRIATED FUNDS</b>		<u>\$ 1,001,623</u>	<u>\$ 37,940</u>	<u>\$ 1,039,563</u>	
<b>ALL FUNDS</b>					
All Appropriated Funds		\$ 16,292,234	\$ 1,042,161	\$ 17,334,395	
All Continuing and Non-Appropriated Funds		1,001,623	37,940	1,039,563	
<b>GRAND TOTAL - ALL FUNDS</b>		<u>\$ 17,293,857</u>	<u>\$ 1,080,101</u>	<u>\$ 18,373,958</u>	

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<hr/>		
<b>General Revenue Fund - 0001</b>		
Appropriations (net after transfers)	\$ 9,639,640	\$ 8,117,376
Expenditures:		
Administrative:		
Personal Services	60,189	58,100
Employee Retirement Contribution Paid by Employer	23	23
State Contribution to State Employees' Retirement System	10,886	9,644
Social Security	4,447	4,292
Contractual Services	23,211	20,246
Travel	665	771
Commodities	393	255
Printing	803	787
Equipment	124	282
Telecommunications Services	2,221	2,480
Operation of Auto Equipment	86	97
Medical Management Services	2,887	3,985
Information Systems (Medical Eligibility)	719	1,259
Med Level - Medical Data Warehouse	3,890	3,895
Deposit into Child Support Administrative Fund	38,173	31,835
Healthcare Shared Services Center	3,767	3,616
Total Administrative	<hr/> 152,484	<hr/> 141,567
Group Insurance	1,057,891	1,055,038
Medical Assistance	8,344,056	6,891,897
Kid Care Refunds	243	359
Total Expenditures	<hr/> 9,554,674	<hr/> 8,088,861
Lapsed Balances	<hr/> <hr/> \$ 84,966	<hr/> <hr/> \$ 28,515
<b>Road Fund - 0011</b>		
Appropriations (net after transfers)	\$ 142,997	\$ 135,608
Expenditures:		
Group Insurance	142,997	135,608
Lapsed Balances	<hr/> <hr/> \$ -	<hr/> <hr/> \$ -

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<hr/>		
<b>University of Illinois Hospital Services Fund - 0136</b>		
Appropriations (net after transfers)	\$ 270,000	\$ 245,000
Expenditures:		
U of I Hospital Services	264,089	244,855
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 5,911</u>	<u>\$ 145</u>
<b>Local Government Health Insurance Reserve Fund - 0193</b>		
Appropriations (Net after transfers)	\$ -	\$ 5,138
Expenditures:		
Personal Services	-	68
State Contribution to State Employees' Retirement System	-	11
Social Security	-	5
Group Insurance	-	15
Contractual Services	-	3
Group Health Insurance	-	4,979
	<hr/>	<hr/>
Total Expenditures	-	5,081
	<hr/>	<hr/>
Lapsed Balances	<u>\$ -</u>	<u>\$ 57</u>
<b>Illinois Prescription Drug Discount Program Fund - 0316</b>		
Appropriations (net after transfers)	\$ -	\$ 350
Expenditures:		
Health Insurance Expenses	-	-
	<hr/>	<hr/>
Lapsed Balances	<u>\$ -</u>	<u>\$ 350</u>
<b>County Hospital Services Fund - 0329</b>		
Appropriations (net after transfers)	\$ 1,982,619	\$ 1,982,619
Expenditures:		
Administrative Expenses	-	-
Hospital Provider	1,479,081	1,282,129
Overpayment Assessment Refunds	-	-
	<hr/>	<hr/>
Total Expenditures	1,479,081	1,282,129
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 503,538</u>	<u>\$ 700,490</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<hr/>		
<b>Provider Inquiry Trust Fund - 0341</b>		
Appropriations (net after transfers)	\$ 1,500	\$ 1,500
Expenditures:		
Provider Inquiry Services	732	714
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 768</u>	<u>\$ 786</u>
<b>Care Provider for Persons with Developmental Disabilities Fund - 0344</b>		
Appropriations (net after transfers)	\$ 1,129	\$ 1,095
Expenditures:		
Administrative Expenses	109	62
Overpayment Assessment Refunds	-	-
Total Expenditures	<hr/> 109	<hr/> 62
Lapsed Balances	<u>\$ 1,020</u>	<u>\$ 1,033</u>
<b>Long-Term Care Provider Fund - 0345</b>		
Appropriations (net after transfers)	\$ 929,487	\$ 984,361
Expenditures:		
Administrative Expenses	899	985
Long-Term Care Provider Services	686,746	820,623
Overpayment Assessment Refunds	91	16
Healthcare Shared Services Center	71	58
Total Expenditures	<hr/> 687,807	<hr/> 821,682
Lapsed Balances	<u>\$ 241,680</u>	<u>\$ 162,679</u>
<b>Hospital Provider Fund - 0346</b>		
Appropriations (net after transfers)	\$ 1,615,000	\$ 2,435,400
Expenditures:		
Hospitals	1,609,997	2,409,489
Overpayment Assessment Refunds	-	-
Total Expenditures	<hr/> 1,609,997	<hr/> 2,409,489
Lapsed Balances	<u>\$ 5,003</u>	<u>\$ 25,911</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<hr/>		
<b>Special Education Medicaid Matching Fund - 0355</b>		
Appropriations (net after transfers)	\$ 200,000	\$ 200,000
Expenditures:		
Administrative Expenses	136,618	125,134
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 63,382</u>	<u>\$ 74,866</u>
<b>Trauma Center Fund - 0397</b>		
Appropriations (net after transfers)	\$ 15,000	\$ 15,000
Expenditures:		
Trauma Centers	12,071	12,132
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 2,929</u>	<u>\$ 2,868</u>
<b>Public Assistance Recoveries Trust Fund - 0421</b>		
Appropriations (net after transfers)	\$ 41,543	\$ 41,419
Expenditures:		
Personal Services	7,229	6,938
State Contribution to State Employees' Retirement System	1,423	1,159
Social Security	537	512
Group Insurance	1,702	1,720
Contractual Services	12,088	11,194
Travel	50	66
Commodities	33	23
Printing	4	4
Equipment	2	749
Telecommunications Services	72	68
Healthcare Shared Services Center	900	679
	<hr/>	<hr/>
Total Expenditures	<u>24,040</u>	<u>23,112</u>
Lapsed Balances	<u>\$ 17,503</u>	<u>\$ 18,307</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<hr/>		
<b>Medical Research and Development Fund - 0486</b>		
Appropriations (net after transfers)	\$ 12,800	\$ 12,800
Expenditures:		
Awards and Grants	12,800	12,800
	<hr/>	<hr/>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>
<b>Post-Tertiary Clinical Services Fund - 0487</b>		
Appropriations (net after transfers)	\$ 12,800	\$ 12,800
Expenditures:		
Awards and Grants	12,800	12,800
	<hr/>	<hr/>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>
<b>Money Follows the Person Budget Transfer Fund - 0522</b>		
Appropriations (net after transfers)	\$ 11,000	\$ -
Expenditures:		
Money Follows the Person Demonstration Project	971	-
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 10,029</u>	<u>\$ -</u>
<b>Supplemental Low Income Energy Assistance Fund - 0550</b>		
Appropriations (net after transfers)	\$ 77,748	\$ 98,185
Expenditures:		
Awards and Grants	77,746	90,334
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 2</u>	<u>\$ 7,851</u>
<b>Good Samaritan Energy Trust Fund - 0555</b>		
Appropriations (net after transfers)	\$ -	\$ 2,150
Expenditures:		
Awards and Grants	-	-
	<hr/>	<hr/>
Lapsed Balances	<u>\$ -</u>	<u>\$ 2,150</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<hr/>		
<b>Juvenile Rehabilitation Services Medicaid Matching Fund - 0575</b>		
Appropriations (net after transfers)	\$ 8,500	\$ 8,500
Expenditures:		
Juvenile Behavioral Health Services	404	943
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 8,096</u>	<u>\$ 7,557</u>
<b>FY09 Budget Relief Fund - 0678</b>		
Appropriations (net after transfers)	\$ 3,000	\$ -
Expenditures:		
Health Information Exchange Initiative	3,000	-
	<hr/>	<hr/>
Lapsed Balance	<u>\$ -</u>	<u>\$ -</u>
<b>Family Care Fund - 0720</b>		
Appropriations (net after transfers)	\$ 40,000	\$ 40,000
Expenditures:		
Medical Assistance	29,519	30,821
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 10,481</u>	<u>\$ 9,179</u>
<b>Drug Rebate Fund - 0728</b>		
Appropriations (net after transfers)	\$ 432,000	\$ 604,000
Expenditures:		
Prescribed Drugs	431,971	356,882
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 29</u>	<u>\$ 247,118</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<hr/>		
<b>Tobacco Settlement Recovery Fund - 0733</b>		
Appropriations (net after transfers)	\$ 766,800	\$ 511,800
Expenditures:		
Fund Transfers	12,800	13,800
Catastrophic Relief Payment	39,869	-
Outstanding Payments to Hospitals	133,375	-
Prescribed Drugs	580,594	497,779
Total Expenditures	<u>766,638</u>	<u>511,579</u>
Lapsed Balances	<u>\$ 162</u>	<u>\$ 221</u>
<b>Independent Academic Medical Center Fund - 0735</b>		
Appropriations (net after transfers)	\$ -	\$ 2,000
Expenditures:		
Lump Sums	-	2,000
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>
<b>Energy Administration Fund - 0737</b>		
Appropriations (net after transfers)	\$ 8,737	\$ 18,756
Expenditures:		
Personal Services	168	217
State Contribution to State Employees' Retirement System	35	36
Social Security	13	16
Group Insurance	41	42
Contractual Services	-	4
Travel	17	18
Equipment	8	-
Nonprofit Community Organization Grants	8,455	11,614
Total Expenditures	<u>8,737</u>	<u>11,947</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ 6,809</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<hr/>		
<b>Medicaid Buy-in Program Revolving Fund - 0740</b>		
Appropriations (net after transfers)	\$ 300	\$ 300
Expenditures:		
Medical Assistance	217	200
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 83</u>	<u>\$ 100</u>
<b>Child Support Administration Fund - 0757</b>		
Appropriations (net after transfers)	\$ 192,458	\$ 191,166
Expenditures:		
Personal Services	55,133	52,653
Employee Retirement Contribution Paid by Employer	68	65
State Contribution to State Employees' Retirement System	10,466	8,730
Social Security	4,064	3,880
Group Insurance	13,662	13,176
Contractual Services	57,864	56,171
Travel	411	499
Commodities	249	199
Printing	140	163
Equipment	78	353
Electronic Data Processing	-	-
Telecommunications Services	3,246	3,139
Enhanced Collection Efforts and Paternity Adjudication Demo	8,067	9,417
Child Support Enforcement Demonstration Projects	439	679
State Disbursement Unit Costs	15,174	15,415
Healthcare Shared Services Center	2,734	2,011
Total Expenditures	<hr/> 171,795	<hr/> 166,550
Lapsed Balances	<u>\$ 20,663</u>	<u>\$ 24,616</u>
<b>Medical Special Purpose Trust Fund - 0808</b>		
Appropriations (net after transfers)	\$ 9,788	\$ 8,673
Expenditures		
Health Insurance Portability and Accountability Act Costs	4,699	4,836
	<hr/>	<hr/>
Lapsed Balances	<u>\$ 5,089</u>	<u>\$ 3,837</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<b>Low Income Home Energy Assistance Block Grant Fund - 0870</b>		
Appropriations (net after transfers)	\$ 139,947	\$ 308,136
Expenditures:		
Personal Services	987	1,106
State Contribution to State Employees' Retirement System	208	184
Social Security	73	82
Group Insurance	198	206
Contractual Services	188	618
Travel	64	94
Commodities	8	-
Printing	10	12
Equipment	3	13
Telecommunications Services	32	58
Operation of Auto Equipment	-	-
System Development / Maintenance	34	686
Weatherization Program Grants	138,142	133,650
Low Income Home Energy Assistance Program Refunds	-	-
Total Expenditures	<u>139,947</u>	<u>136,709</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ 171,427</u>
<b>Health Insurance Reserve Fund - 0907</b>		
Appropriations (net after transfers)	\$ 1,877,541	\$ 1,877,858
Expenditures:		
Health Care Coverage	<u>1,760,936</u>	<u>1,780,198</u>
Lapsed Balances	<u>\$ 116,605</u>	<u>\$ 97,660</u>
<b>TOTAL - ALL APPROPRIATED FUNDS</b>		
Appropriations (net after transfers)	\$ 18,432,334	\$ 17,861,990
Total Expenditures	<u>17,334,395</u>	<u>16,267,458</u>
Lapsed Balances	<u>\$ 1,097,939</u>	<u>\$ 1,594,532</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

Fiscal Year	
2009	2008
P.A. 95-0734	
P.A. 95-1017	P.A. 95-0011
P.A. 95-1030	P.A. 95-0348
P.A. 96-0004	P.A. 95-0718

**CONTINUING AND NON-APPROPRIATED FUNDS**

**General Revenue Fund - 0001**

Pension Continuing Appropriation	\$ 1,806	\$ -
----------------------------------	----------	------

**Local Government Health Insurance Reserve Fund - 0193**

Healthcare and Administrative Expenses	\$ 56,437	\$ 54,337
Healthcare Shared Services Center	89	35
Total Expenditures	\$ 56,526	\$ 54,372

**Teacher Health Insurance Security Fund - 0203**

Administrative Expenses	\$ 373	\$ 392
Health Care Coverage	411,917	390,987
Total Expenditures	\$ 412,290	\$ 391,379

**Illinois Prescription Drug Discount Program Fund - 0316**

Health Insurance Payments	\$ -	\$ 5
---------------------------	------	------

**Public Assistance Recoveries Trust Fund - 0421**

Payment to Local Gov. for Serv to Recip.	\$ 23,931	\$ 22,986
Federal Share Due To General Revenue Fund	248,604	217,476
Refund of TPL Recoveries	456	383
Refund of Non-TPL Recoveries	931	239
Non-Administrative Expenses	80	30
Early Intervention - Due DHS	50	74
Pension Continuing Appropriation	101	-
Total Expenditures	\$ 274,153	\$ 241,188

**Community College Health Insurance Security Fund - 0577**

Administrative Expenses	\$ 6	\$ 31
Health Care Coverage	31,976	28,764
Total Expenditures	\$ 31,982	\$ 28,795

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	Fiscal Year	
	2009	2008
	P.A. 95-0734	
	P.A. 95-1017	P.A. 95-0011
	P.A. 95-1030	P.A. 95-0348
	P.A. 96-0004	P.A. 95-0718
<hr/>		
<b>Financial Institutions Settlement 2008 Fund - 0679</b>		
Outstanding Medical Assistance Payments	\$ 50,675	\$ -
<hr/>		
<b>Child Support Administration Fund - 0757</b>		
Pension Continuing Appropriation	\$ 1,150	\$ -
<hr/>		
<b>Child Support Enforcement Trust Fund - 0957</b>		
Redirect - Illinois TANF Excess Child Support Clients	\$ 2,154	\$ 1,993
Redirect - Out-of-State TANF Clients	10,202	10,610
Redirect - Illinois Non-TANF Clients	139,343	96,352
Redirect - Out-of-State Non-TANF Clients	44,879	40,206
Refund - IRS Offsets	4,356	5,497
Refund - IRS pre N/A	44	38
Refund - State Offests	606	857
Refund - State pre N/A	4	5
Refund - Courts or Third Parties	1,273	1,135
Refund - Courts or Third Parties N/A Out of State	15	3
Refunds - IRS Offset Nonpublic Aid Clients	118	92
Refunds - State Offset Nonpublic Aid Clients	31	36
Refund - Nonassistance Clients	3,325	1,985
Unclaimed Property	-	3
Fund Transfer	23	-
Interest Penalty/State Refund	2	11
Interest Paid to Clients, DCFS, Others	1,888	1,185
Reimburse DCFS Title IV-E	2,718	2,457
Total Expenditures	<u>\$ 210,981</u>	<u>\$ 162,465</u>
<b>TOTAL - ALL CONTINUING AND NON-APPROPRIATED FUNDS</b>	<u>\$ 1,039,563</u>	<u>\$ 878,204</u>
<b>GRAND TOTAL - ALL FUNDS</b>	<u><u>\$ 18,373,958</u></u>	<u><u>\$ 17,145,662</u></u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2009 and 2008  
(expressed in thousands)

Fiscal Year	
2009	2008
P.A. 95-0734	
P.A. 95-1017	P.A. 95-0011
P.A. 95-1030	P.A. 95-0348
P.A. 96-0004	P.A. 95-0718

**State Officers' Salaries**

**General Revenue Fund - 0001**

Appropriations (net after transfers)	\$ 263	\$ 254
Expenditures:		
Director's salary (1)	142	137
Assistant Director's salary (1)	121	116
Total Expenditures	263	253
Lapsed Balances	\$ -	\$ 1

(1) Note: State Officers' salaries are paid from the appropriation for the Office of the Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**LOCALLY HELD FUNDS**  
**CASH BASIS SCHEDULE**  
For the Year Ended June 30, 2009  
(expressed in thousands)

	2009
<b><u>Public Aid Emergency Revolving Fund</u></b>	
An imprest fund used to provide emergency aid to recipients.	
Beginning balance	\$ 326
Receipts (including cash on hand and in-transit)	389
Disbursements	(432)
Ending balance	\$ 283
<b><u>Local Government Health Insurance Reserve Local Fund</u></b>	
Beginning balance	\$ 2,252
Receipts (including cash on hand and in-transit)	17,878
Disbursements	(19,618)
Ending balance	\$ 512
<b><u>Teacher Health Insurance Security Local Fund</u></b>	
Beginning balance	\$ 10,993
Receipts (including cash on hand and in-transit)	188,341
Disbursements	(193,698)
Ending balance	\$ 5,636
<b><u>Community College Health Insurance Security Local Fund</u></b>	
Beginning balance	\$ 1,267
Receipts (including cash on hand and in-transit)	14,358
Disbursements	(15,488)
Ending balance	\$ 137
<b><u>Health Insurance Reserve Local Fund</u></b>	
Beginning balance	\$ 31,927
Receipts (including cash on hand and in-transit)	597,135
Disbursements	(615,182)
Ending balance	\$ 13,880

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
For the Year Ended June 30, 2009  
(expressed in thousands)

	<u>Equipment</u>
Balance at July 1, 2008	\$ 27,874
Additions	642
Deletions	(2,561)
Net Transfers	(1,475)
Balance at June 30, 2009	\$ 24,480

Notes:

This summary schedule has been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the Comptroller.

The Department's State property is composed of equipment items only.

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with accounting principles generally accepted in the United States of America.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>General Revenue Fund - 0001</b>		
Federal government	\$ 4,049,384	\$ 3,867,738
Federal Stimulus Package	526,703	-
Federal reimbursable portion due from the Public Assistance Recoveries Trust Fund	243,888	215,017
Investment income	40	283
Local Illinois governmental units	252,778	302,091
Recipient collections	18,310	15,688
Fund transfers	2	7
Miscellaneous	1	-
Total cash receipts per Department	5,091,106	4,400,824
Less - In transit at End of Year	(828)	(763)
Plus - In transit at Beginning of Year	763	520
Plus - PY Refunds/Warrant Voids on Comptroller's Report	236	304
Total cash receipts per State Comptroller's Records	\$ 5,091,277	\$ 4,400,885
 <b>University of Illinois Hospital Services Fund - 0136</b>		
Federal government	\$ 139,802	\$ 147,633
Other Illinois State agencies	70,928	79,187
Total cash receipts per Department	210,730	226,820
Less - In transit at End of Year	-	(926)
Plus - In transit at Beginning of Year	926	-
Total cash receipts per State Comptroller's Records	\$ 211,656	\$ 225,894

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>Community Developmental Disability Services Medicaid Trust Fund - 0142</b>		
Federal government	\$ 34,251	\$ 21,214
Federal Stimulus Package	509	-
Total cash receipts per Department	34,760	21,214
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 34,760	\$ 21,214
 <b>Illinois Veterans Assistance Fund - 0236</b>		
Insurance Premiums	\$ 52	\$ 37
Total cash receipts per Department	52	37
Less - In transit at End of Year	(5)	(2)
Plus - In transit at Beginning of Year	2	-
Total cash receipts per State Comptroller's Records	\$ 49	\$ 35
 <b>County Hospital Services Fund - 0329</b>		
Federal government	\$ 751,306	\$ 653,815
Federal Stimulus Package	222	-
Provider participation fees	747,882	659,845
Total cash receipts per Department	1,499,410	1,313,660
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	1,619
Total cash receipts per State Comptroller's Records	\$ 1,499,410	\$ 1,315,279

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>Provider Inquiry Trust Fund - 0341</b>		
User Fees/Private Organizations or Individuals	\$ 792	\$ 864
Total cash receipts per Department	792	864
Less - In transit at End of Year	(3)	(66)
Plus - In transit at Beginning of Year	66	85
Total cash receipts per State Comptroller's Records	\$ 855	\$ 883
<b>Care Provider for Persons with Developmental Disabilities Fund - 0344</b>		
Federal government	\$ 18,433	\$ 20,843
Federal Stimulus Package	3,770	-
Provider taxes	19,017	19,567
Total cash receipts per Department	41,220	40,410
Less - In transit at End of Year	(18)	(765)
Plus - In transit at Beginning of Year	765	1
Total cash receipts per State Comptroller's Records	\$ 41,967	\$ 39,646
<b>Long-Term Care Provider Fund - 0345</b>		
Federal government	\$ 396,609	\$ 371,821
Federal Stimulus Package	58,294	-
Provider taxes	51,879	52,998
Federal monies via other State agencies	102	88
Local governmental units	52,542	43,321
Total cash receipts per Department	559,426	468,228
Less - In transit at End of Year	(197)	(5,571)
Plus - In transit at Beginning of Year	5,571	221
Plus - PY Refunds/Warrant Voids on Comptroller's Report	176	-
Total cash receipts per State Comptroller's Records	\$ 564,976	\$ 462,878

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>Hospital Provider Fund - 0346</b>		
Federal government	\$ 778,264	\$ 1,199,064
Federal Stimulus Package	161,246	-
Provider taxes	900,638	1,462,824
Total cash receipts per Department	1,840,148	2,661,888
Less - In transit at End of Year	(1,523)	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 1,838,625	\$ 2,661,888
 <b>Special Education Medicaid Matching Fund - 0355</b>		
Federal government	\$ 158,616	\$ 93,960
Federal Stimulus Package	4,495	-
Total cash receipts per Department	163,111	93,960
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	2	-
Total cash receipts per State Comptroller's Records	\$ 163,113	\$ 93,960
 <b>Trauma Center Fund - 0397</b>		
Federal government	\$ 5,957	\$ 5,331
Federal Stimulus Package	833	-
Total cash receipts per Department	6,790	5,331
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 6,790	\$ 5,331

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	<u>2009</u>	<u>2008</u>
<b>Protest Fund - 0401</b>		
Health Care Provider Tax	\$ 24	\$ 24
Total cash receipts per Department	24	24
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 24</u>	<u>\$ 24</u>
 <b>Public Assistance Recoveries Trust Fund - 0421</b>		
Federal government	\$ 24,013	\$ 22,992
Federal Stimulus Package	8	-
Recipient collections	25,679	26,848
3rd party collections - Pharmacy assistance	-	19
Fund transfers	18	-
Court and anti-trust distributions	15	-
Private organizations or individuals	477,941	391,447
Total cash receipts per Department	<u>527,674</u>	<u>441,306</u>
Less - In transit at End of Year	(19,601)	(18,919)
Plus - In transit at Beginning of Year	18,919	36,107
Plus - PY Refunds/Warrant Voids on Comptroller's Report	-	3
Total cash receipts per State Comptroller's Records	<u>\$ 526,992</u>	<u>\$ 458,497</u>
 <b>Medical Research and Development Fund - 0486</b>		
Federal government	\$ 6,400	\$ 6,400
Federal Stimulus Package	996	-
Fund transfers	6,400	6,400
Total cash receipts per Department	<u>13,796</u>	<u>12,800</u>
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 13,796</u>	<u>\$ 12,800</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>Post-Tertiary Clinical Services Fund - 0487</b>		
Federal government	\$ 6,400	\$ 6,400
Federal Stimulus Package	996	-
Fund transfers	6,400	6,400
Total cash receipts per Department	13,796	12,800
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 13,796	\$ 12,800
 <b>Early Intervention Services Revolving Fund - 0502</b>		
Federal government	\$ 33,248	\$ 33,828
Federal Stimulus Package	3,021	-
Total cash receipts per Department	36,269	33,828
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 36,269	\$ 33,828
 <b>Money Follows the Person Budget Transfer Fund - 0522</b>		
Federal government	\$ 104	\$ -
Other Illinois State Agencies	950	-
Total cash receipts per Department	1,054	-
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 1,054	\$ -

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>Department of Corrections Reimbursement Fund - 0523</b>		
Federal government	\$ 50	\$ 88
Total cash receipts per Department	50	88
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 50	\$ 88
 <b>Supplemental Low Income Energy Assistance Fund - 0550</b>		
Private organizations or individuals	\$ 4,000	\$ 17,264
Total cash receipts per Department	4,000	17,264
Less - In transit at End of Year	-	(4,000)
Plus - In transit at Beginning of Year	4,000	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	272	76
Total cash receipts per State Comptroller's Records	\$ 8,272	\$ 13,340
 <b>Good Samaritan Energy Trust Fund - 0555</b>		
Private organizations or individuals	\$ 1	\$ 1
Total cash receipts per Department	1	1
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 1	\$ 1
 <b>Juvenile Rehabilitation Services Medicaid Matching Fund - 0575</b>		
Federal government	\$ 439	\$ 1,206
Federal Stimulus Package	29	-
Total cash receipts per Department	468	1,206
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 468	\$ 1,206

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>Community Mental Health Medicaid Trust Fund - 0718</b>		
Federal government	\$ 67,351	\$ 85,426
Federal Stimulus Package	6,677	-
Total cash receipts per Department	74,028	85,426
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 74,028	\$ 85,426
 <b>Family Care Fund - 0720</b>		
Federal government	\$ 200	\$ -
Other Illinois State agencies	8,392	9,280
Reimbursements	16,346	19,852
Total cash receipts per Department	24,938	29,132
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - Due from General Revenue Fund	3,117	-
Total cash receipts per State Comptroller's Records	\$ 28,055	\$ 29,132
 <b>Drug Rebate Fund - 0728</b>		
Federal government	\$ 239,479	\$ 177,901
Federal Stimulus Package	27,884	-
Total cash receipts per Department	267,363	177,901
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	1	-
Total cash receipts per State Comptroller's Records	\$ 267,364	\$ 177,901

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>Tobacco Settlement Recovery Fund - 0733</b>		
Federal government	\$ 379,853	\$ 229,245
Federal Stimulus Package	72,626	-
Total cash receipts per Department	452,479	229,245
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ 452,479	\$ 229,245
 <b>Independent Academic Medical Center Fund - 0735</b>		
Federal government	\$ -	\$ 1,000
Fund transfers	-	1,000
Total cash receipts per Department	-	2,000
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Total cash receipts per State Comptroller's Records	\$ -	\$ 2,000
 <b>Energy Administration Fund - 0737</b>		
Federal government	\$ 9,100	\$ 12,090
Total cash receipts per Department	9,100	12,090
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	83	129
Total cash receipts per State Comptroller's Records	\$ 9,183	\$ 12,219
 <b>Medicaid Buy-in Program Revolving Fund - 0740</b>		
Recipient collections	\$ 461	\$ 454
Total cash receipts per Department	461	454
Less - In transit at End of Year	(30)	(18)
Plus - In transit at Beginning of Year	18	15
Total cash receipts per State Comptroller's Records	\$ 449	\$ 451

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>Child Support Administration Fund - 0757</b>		
Federal government	\$ 100,101	\$ 92,897
Federal Stimulus Package	3,140	-
Fund transfers	35,500	31,628
Repayment to State pursuant to law	14	13
Total cash receipts per Department	138,755	124,538
Less - In transit at End of Year	(274)	-
Plus - In transit at Beginning of Year	-	-
Plus - Due from General Revenue Fund	3,500	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	3	7
Total cash receipts per State Comptroller's Records	\$ 141,984	\$ 124,545
 <b>Medical Special Purpose Trust Fund - 0808</b>		
Federal government	\$ 2,879	\$ 4,589
Contracts and grants - private organizations	838	796
Total cash receipts per Department	3,717	5,385
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	11	-
Total cash receipts per State Comptroller's Records	\$ 3,728	\$ 5,385
 <b>Low Income Home Energy Assistance Block Grant Fund - 0870</b>		
Federal government	\$ 145,399	\$ 133,444
Total cash receipts per Department	145,399	133,444
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	2,429	600
Total cash receipts per State Comptroller's Records	\$ 147,828	\$ 134,044

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND  
RECONCILIATION OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE COMPTROLLER**  
For the Years Ended June 30, 2009 and 2008  
(expressed in thousands)

	2009	2008
<b>Health Insurance Reserve Fund - 0907</b>		
Fund transfers	\$ 1,088,350	\$ 1,133,184
Total cash receipts per Department	1,088,350	1,133,184
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Plus - Due from General Revenue Fund	138,263	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	19	19
Total cash receipts per State Comptroller's Records	\$ 1,226,632	\$ 1,133,203
 <b>Child Support Enforcement Trust Fund - 0957</b>		
Child support collections	\$ 239,910	\$ 196,027
Repayment to State pursuant to law	5,322	5,302
Total cash receipts per Department	245,232	201,329
Less - In transit at End of Year	(525)	(1,044)
Plus - In transit at Beginning of Year	1,044	1,603
Plus - PY Refunds/Warrant Voids on Comptroller's Report	60	93
Total cash receipts per State Comptroller's Records	\$ 245,811	\$ 201,981
 <b>GRAND TOTAL - ALL FUNDS</b>		
Less - In transit at End of Year	(23,004)	(32,074)
Plus - In transit at Beginning of Year	32,074	38,552
Plus - Due from General Revenue Fund	144,880	-
Plus - PY Refunds/Warrant Voids on Comptroller's Report	3,292	2,850
<b>TOTAL CASH RECEIPTS PER STATE</b>	<b>\$ 12,494,499</b>	<b>\$ 11,886,681</b>
<b>COMPTROLLER'S RECORDS - ALL FUNDS</b>	<b>\$ 12,651,741</b>	<b>\$ 11,896,009</b>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2009

The following is a summary of explanations for significant fluctuations in appropriated expenditures incurred by the Department for the fiscal year ended June 30, 2009 as compared to the fiscal year ended June 30, 2008. Included are explanations for variances to the General Funds (Major Fund) greater than \$1 million and 20%, and explanations for variances to the Road Fund (Major Fund), Non-Major Governmental Funds, Proprietary Funds and Fiduciary Funds greater than \$300 thousand and 20%. Dollar amounts are in thousands unless otherwise stated. The Department's total appropriated expenditures for fiscal years ended June 30, 2009 and 2008 are presented in the "Comparative Schedule of Appropriations, Expenditures and Lapsed Balances" of this report.

**GENERAL FUNDS**

**General Revenue Fund - 0001**

Medical Management Services

The decrease of \$1,098 (27.6%) in medical management services expenditures was due to a decrease in audit and management services, professional and artistic services, and other miscellaneous services.

Medical Assistance

The increase of \$1,452,159 (21.1%) in medical assistance expenditures was due to an increase in appropriation authority and increased cash flow due to the American Recovery and Reinvestment Act of 2009.

Continuing Pension Appropriation

The increase of \$1,806 (100%) in the continuing pension appropriation was due to the General Assembly appropriating and the Governor approving retirement budgets at levels less than necessary to pay retirement rate charges issued by the State Employee Retirement System.

**Hospital Provider Fund - 0346**

Hospitals

The decrease of \$799,492 (33.2%) in hospital service expenditures was due to the fiscal year 2007 and 2008 Hospital Access Improvement Payments being paid in fiscal year 2008 as compared to only the fiscal year 2009 Hospital Access Improvement Payments being paid in fiscal year 2009.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2009

**Drug Rebate Fund - 0728**

Prescribed Drugs

The increase of \$75,089 (21.0%) in prescription drug expenditures was due to increased revenues from the American Recovery and Reinvestment Act of 2009, which increased drug rebate collections and allowed for increased expenditures.

**Independent Academic Medical Center Fund - 0735**

Lump Sums

The decrease of \$2,000 (100%) in lump sum expenditures was due to no funds being appropriated in fiscal year 2009.

**NON-MAJOR GOVERNMENTAL FUNDS**

**Money Follows the Person Budget Transfer Fund - 0522**

Money Follows the Person Demonstration Project

The increase of \$971 (100%) in expenditures was due to this being a new appropriation in fiscal year 2009 to be used for a federally-approved Money Follows the Person Demonstration Project.

**FY09 Budget Relief Fund - 0678**

Health Information Exchange Initiative

The increase of \$3,000 (100%) in expenditures was due to this being a new appropriation in fiscal year 2009 to be used for a health information exchange initiative.

**Financial Institutions Settlement 2008 Fund – 0679**

Outstanding Medical Assistance Payments

The increase of \$50,675 (100%) in medical assistance payments was due to this fund being created to pay outstanding vouchers related to medical assistance, as a result of Public Act 95-1047.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2009

**Tobacco Settlement Recovery Fund - 0733**

Catastrophic Relief Payment

The increase of \$39,869 (100%) in catastrophic relief payments was due to this being a new appropriation in fiscal year 2009 to allow the Department to pay one-time catastrophic relief payments to Illinois based hospitals.

Outstanding Payments to Hospitals

The increase of \$133,375 (100%) in hospital expenditures was due to this being a new appropriation in fiscal year 2009 to allow the Department to pay outstanding payments to hospitals.

**Energy Administration Fund - 0737**

Nonprofit Community Organization Grants

The decrease of \$3,159 (27.2%) in nonprofit community organization grants was due to the decision of the Office of the Governor to transfer the Low Income Home Energy Assistance Program and the Weatherization Program back to the Department of Commerce and Economic Opportunity in March 2009.

**Child Support Administration Fund - 0757**

Healthcare Shared Services Center

The increase of \$723 (36%) in healthcare shared services center expenditures was due to increased appropriation authority in fiscal year 2009.

Continuing Pension Appropriation

The increase of \$1,150 (100%) in the continuing pension appropriation was due to the General Assembly appropriating and the Governor approving retirement budgets at levels less than necessary to pay retirement rate charges issued by the State Employee Retirement System.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2009

**Low Income Home Energy Assistance Block Grant Fund - 0870**

Contractual Services

The decrease of \$430 (69.6%) in contractual service expenditures was due to the decision of the Office of the Governor to transfer the Low Income Home Energy Assistance Program and the Weatherization Program back to the Department of Commerce and Economic Opportunity in March 2009.

System Development/Maintenance

The decrease of \$652 (95%) in system development/maintenance expenditures was due to the decision of the Office of the Governor to transfer the Low Income Home Energy Assistance Program and the Weatherization Program back to the Department of Commerce and Economic Opportunity in March 2009.

**PROPRIETARY FUNDS**

**Local Government Health Insurance Reserve Fund - 0193**

Group Health Insurance

The decrease of \$4,979 (100%) in group health insurance expenditures was due to this fund being changed from an appropriated fund to a non-appropriated fund in January 2008, as the result of Public Act 95-0707.

**FIDUCIARY FUNDS**

**Child Support Enforcement Trust Fund - 0957**

Redirect – Illinois Non-TANF Clients

The increase of \$42,991 (44.6%) in redirect – Illinois non-TANF client expenditures was due to an increase in unemployment insurance benefits in fiscal year 2009.

Refund – IRS Offsets

The decrease of \$1,141 (20.8%) in IRS Offset refunds was due to collection amounts being larger than normal in fiscal year 2008 as a result of the offset of the economic stimulus checks issued by the federal government compared to no economic stimulus checks being issued in fiscal year 2009.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2009

**Child Support Enforcement Trust Fund – 0957 (continued)**

Refund – Non-assistance Clients

The increase of \$1,340 (67.5%) in non-assistance client refunds was due to an increase in unemployment insurance benefits in fiscal year 2009.

Interest Paid to Clients, DCFS, Other

The increase of \$703 (59.3%) in interest paid to clients was due to an increase in interest charges to non-custodial parents and more custodial parents completing and submitting a W-9 form allowing their social security numbers to be validated with the Office of the Comptroller, which resulted in more interest being released to custodial parents.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2009

The following is a summary of explanations for significant fluctuations in receipts received by the Department for fiscal year ended June 30, 2009 as compared to the fiscal year ended June 30, 2008. Included are explanations for variances to the General Funds (Major Fund) greater than \$1 million and 20% and explanations to the Non-Major Governmental Funds, Proprietary Funds, and Fiduciary Funds greater than \$300 thousand and 20%. Dollar amounts are in thousands. The Department's receipts are presented in the "Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the Comptroller."

**GENERAL FUNDS**

**General Revenue Fund - 0001**

Federal Stimulus Package

The increase of \$526,703 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

**Community Developmental Disability Services Medicaid Trust Fund – 0142**

Federal Government

The increase of \$13,037 (61.5%) was a result of increased waiver spending for services to the developmentally disabled during fiscal year 2009, which was higher than associated spending in fiscal year 2008. This resulted in increased federal financial participation collections during fiscal year 2009.

**Care Provider for Persons with Developmental Disabilities Fund - 0344**

Federal Stimulus Package

The increase of \$3,770 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2009

**Long-Term Care Provider Fund - 0345**

Federal Stimulus Package

The increase of \$58,294 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

Local Governmental Units

The increase of \$9,221 (21.3%) was a result of lower collections in fiscal year 2008 because of a new process for intergovernmental transfers from the county nursing homes that started in fiscal year 2007. Because of the new process, estimates were used in fiscal year 2007 resulting in over collections. During fiscal year 2008 the county nursing homes were credited back the monies for the over collections which resulted in lower collections for fiscal year 2008. The over collection issue was resolved in fiscal year 2008 and did not carry over to fiscal year 2009.

**Hospital Provider Fund – 0346**

Federal Government

The decrease of \$420,800 (35.1%) was a result of two hospital assessment tax cycles occurring in fiscal year 2008 which resulted in higher than usual receipts. During fiscal year 2009 only one hospital assessment tax cycle occurred.

Federal Stimulus Package

The increase of \$161,246 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

Provider Taxes

The decrease of \$562,186 (38.4%) was a result of two hospital assessment tax cycles occurring in fiscal year 2008. The fiscal year 2007 and 2008 Hospital Access Improvement payments were paid in fiscal year 2008 resulting in higher than usual receipts. During fiscal year 2009 only one hospital assessment tax cycle occurred.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2009

**Special Education Medicaid Matching Fund – 0355**

Federal Government

The increase of \$64,656 (68.8%) was due to the timing of claims submitted by Local Education Agencies. This timing difference resulted in the Department receiving five quarters of claims in fiscal year 2009 and only three in fiscal year 2008. This resulted in an increase in federal reimbursement during fiscal year 2009.

Federal Stimulus Package

The increase of \$4,495 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

**Public Assistance Recoveries Trust Fund – 0421**

Private Organizations or Individuals

The increase of \$86,494 (22.1%) was a result of increased drug spending during the fourth quarter of fiscal year 2008 which resulted in an increase of drug rebates billed and received. Also, the drug rebate rates set by the federal government increased during fiscal year 2009. In addition, fiscal year 2009 was the first year the Department received drug rebates on physician administered drugs.

**Drug Rebate Fund – 0728**

Federal Government

The increase of \$61,578 (34.6%) was a result of the Department increasing their spending for prescription drugs during fiscal year 2009. The increase in spending resulted in increased federal financial participation collections in fiscal year 2009.

Federal Stimulus Package

The increase of \$27,884 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2009

**Tobacco Settlement Recovery Fund - 0733**

Federal Government

The increase of \$150,608 (65.7%) was a result of the Department receiving increased appropriations for prescribed drugs and a new appropriation for hospitals which resulted in increased spending during fiscal year 2009. The increase in spending resulted in increased federal financial participation collections in fiscal year 2009.

Federal Stimulus Package

The increase of \$72,626 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

**Independent Academic Medical Center Fund - 0735**

Federal Government

The decrease of \$1,000 (100%) was a result of no appropriation authority being given to the Department for this fund in fiscal year 2009. This resulted in no federal financial participation monies being drawn for this fund for fiscal year 2009.

Fund Transfers

The decrease of \$1,000 (100%) was a result of no appropriation authority being given to the Department to transfer monies into this fund in fiscal year 2009.

**Medical Special Purpose Trust Fund – 0808**

Federal Government

The decrease of \$1,710 (37.3%) was a result of prior period claim adjustments made against federal financial participation collections applied in fiscal year 2009.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2009

**NON-MAJOR GOVERNMENTAL FUNDS**

**Early Intervention Services Revolving Fund - 0502**

Federal Stimulus Package

The increase of \$3,021 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

**Money Follows the Person Budget Transfer Fund - 0522**

Other Illinois State Agencies

The increase of \$950 (100%) was due to the Money Follows the Person Budget Transfer Fund being a newly created fund during fiscal year 2009.

**Supplemental Low Income Energy Assistance Fund – 0550**

Private Organizations or Individuals

The decrease of \$13,264 (76.8%) was due to mandated contributions being collected from electric utilities during fiscal year 2008 as required by the amendment to the Illinois Power Agency Act (095-0481). This amendment to the Act was implemented during fiscal year 2008 and required electric utilities to make contributions if the electric utilities failed to meet efficiency standards specified in the Act. The \$4 million that was received in fiscal year 2009 was a result of an electric company not paying the mandated contributions until fiscal year 2009.

**Community Mental Health Medicaid Trust Fund - 0718**

Federal Government

The decrease of \$18,075 (21.2%) was the result of a change in methodology for calculating federal matching revenues from submitted claims to paid claims during fiscal year 2009. This resulted in fewer federal financial participation monies being received during fiscal year 2009.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2009

**Community Mental Health Medicaid Trust Fund – 0718 (continued)**

Federal Stimulus Package

The increase of \$6,677 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

**Energy Administration Fund - 0737**

Federal Government

The decrease of \$2,990 (24.7%) was due to Executive Order #2 transferring the powers, duties, rights and responsibilities of the Low Income Home Energy Assistance Program from the Department to the Department of Commerce and Economic Opportunity on March 24, 2009.

**Child Support Administration Fund – 0757**

Federal Stimulus Package

The increase of \$3,140 (100%) was a result of the Department receiving American Recovery and Reinvestment Act (ARRA) monies during fiscal year 2009. ARRA created a new federal revenue stream to help stabilize State and local government budgets in order to minimize and avoid reductions in essential services.

**FIDUCIARY FUNDS**

**Child Support Enforcement Trust Fund – 0957**

Child Support Collections

The increase of \$43,883 (22.4%) was a result of continued improvements being made in the child support collection efforts.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Year Ended June 30, 2009

The following is a summary of explanations for significant lapse period expenditures incurred by the Department for fiscal year 2009. Included are lapse period expenditures for the General Funds (Major Fund) that are greater than \$1 million and 20%, and lapse period expenditures for the Road Fund (Major Fund), Non-Major Governmental Funds, Proprietary Funds and Fiduciary Funds that are greater than \$300 thousand and 20% of the expenditure level noted in the following details. Dollar amounts are in thousands unless otherwise stated. The Department's overall lapse period spending for fiscal year 2009 is presented in the "Schedule of Appropriations, Expenditures and Lapsed Balances" of this report.

**GENERAL FUNDS**

**Trauma Center Fund - 0397**

The fourth quarter trauma center payments of \$3,435 were calculated and paid during the lapse period.

**Public Assistance Recoveries Trust Fund - 0421**

Contractual Services

The Department paid a total of \$4,512 for the following services incurred prior to June 30 during the lapse period: \$1,742 for legal fees, \$1,603 for statistical services to the Department of Central Management Services, \$811 for audit and management services, \$212 for professional and artistic services, and \$144 for other miscellaneous services.

**Family Care Fund - 0720**

The Department paid a total of \$6,208 for services incurred prior to June 30 to providers of the Children's Mental Health Initiative during the lapse period.

**NON-MAJOR GOVERNMENTAL FUNDS**

**FY09 Budget Relief Fund – 0678**

Pursuant to Public Act 95-1030 the General Assembly appropriated \$3,000 from this Fund to the Department for costs associated with a health information exchange initiative. This appropriation occurred on February 4, 2009.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Year Ended June 30, 2009

**Child Support Administration Fund - 0757**

Contractual Services

The Department paid a total of \$14,429 for the following services incurred prior to June 30 during the lapse period: \$6,841 for professional and artistic services, \$5,222 for statistical services and \$1,735 for facilities management to the Department of Central Management Services, \$376 for postage, and \$255 for other miscellaneous services.

Telecommunications Services

Services incurred prior to June 30 totaling \$1,281 were paid during the lapse period due to the Department receiving telephone and video conferencing bills in late June and July from the Department of Central Management Services.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2009

Threshold levels for analysis and explanation are changes of at least \$1 million and 20% for general funds (major fund), and changes of at least \$300 thousand and 20% for the Road Fund (major fund), non-major governmental funds, non-major proprietary funds and fiduciary funds.

**GENERAL FUNDS**

**Assets**

Cash equity with State Treasurer – The increase of \$193.5 million was attributable to the following: an increase in the Hospital Provider Fund due to federal stimulus dollars received under the American Recovery and Reinvestment Act of 2009; an increase in the U of I Hospital Services Fund as a result of changes in payment methodology by the federal government resulting in monthly transfers not taking place in fiscal year 2009; an increase in the Long-Term Care Provider Fund due to the timing of the Intergovernmental Transfer collections and payments to providers; and an increase in the Public Assistance Recoveries Trust Fund due to increased Drug Rebate collections by the Department in June of fiscal year 2009 compared to the same period in the prior year.

Due from other government – federal – The increase of \$358.9 million was attributable to the following: an increase in the General Revenue Fund and the Hospital Provider Fund due to federal stimulus dollars received under the American Recovery and Reinvestment Act of 2009; and, an increase in the Long-Term Care Provider Fund due to an increase in the medical accrual liability allocation in fiscal year 2009. The increases were offset by the following: a decrease in the County Hospital Services Fund as a result of a decrease in the medical accrual allocation due to overpayments to Cook County hospitals during fiscal year 2009; a decrease in the Special Education Medicaid Matching Fund due to the timing of claims submitted resulting in five quarters of revenue during fiscal year 2009 compared to three in fiscal year 2008; and, a decrease in the Drug Rebate Fund due to a decrease in appropriations available at the end of fiscal year 2009.

Due from other government – local – The decrease of \$63.5 million was due to a decrease in the County Hospital Services Fund as a result of a decrease in the medical accrual allocation due to overpayments to Cook County in fiscal year 2009.

Taxes receivable – The increase of \$4.4 million was due to an increase in the Hospital Provider Fund due to the timing of fiscal year 2009 payments to providers. During fiscal year 2009 hospitals were to pay the Department monthly, in which June payments would not be received until July. In fiscal year 2008, the hospitals paid the Department quarterly, in which the last quarter's payments were to be paid in May. As a result of this change in payment methodology, the Department had less taxes receivable in the prior year.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2009

Other receivables – The decrease of \$36.5 million was attributable to the following: a decrease in the General Revenue Fund due to a reduction in the overpayment to providers for drug utilization costs that occurred during fiscal year 2008 and a decrease in the Public Assistance Recoveries Trust Fund due to an increase in drug rebate collections in June of fiscal year 2009 as compared to June of fiscal year 2008.

Due from State of Illinois component units – The decrease of \$24.4 million was due to a decrease in the U of I Hospital Services Fund as a result of changes in payment methodology by the federal government in fiscal year 2009.

**Liabilities**

Due to other government – federal – The decrease of \$8.4 million was due to a decrease in the amount of clawback payments allocated to the Drug Rebate Fund during the fiscal year 2009 lapse period due to the lack of appropriation authority at the end of fiscal year 2009. These payments were paid from the Tobacco Settlement Recovery Fund.

Due to other government – local – The decrease of \$134.5 million was attributable to the following: a decrease in the County Hospital Services Fund as a result of a decrease in the medical accrual allocation due to the overpayments to Cook County hospitals during fiscal year 2009; a decrease in the Long-Term Care Provider Fund due to the timing of nursing home payments and collections; and, a decrease in the Special Education Medicaid Matching Fund due to an increase in the timing of submitted claims resulting in five quarters of revenue in fiscal year 2009 compared to three quarters in fiscal year 2008.

Due to other Department funds – The increase of \$175.7 million was due to an increase in the year end liability due to the Health Insurance Reserve Fund because of cash flow issues in fiscal year 2009.

Due to other State funds – The increase of \$4.3 million was attributable to the following: an increase in the General Revenue Fund due to the Department reimbursing the Department of Public Health (DPH) during the fiscal year 2009 lapse period for medical services that DPH had accrued during fiscal year 2009; and, an increase in the Public Assistance Recoveries Trust Fund due to an increase in the statistical services expenditures during fiscal year 2009 compared to fiscal year 2008.

Due to State of Illinois component units – The increase of \$28.6 million was due to the Department not paying the Disproportionate Share Hospital payment to the University of Illinois until September and October of fiscal year 2010.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2009

Unavailable revenue – The increase of \$392.6 million was attributable to the following: an increase in the General Revenue Fund due to additional federal funds from the American Recovery and Reinvestment Act of 2009 and a reduction of liquidated expenditures by the end of the fiscal year 2009 lapse period due to cash flow issues; an increase in the Long-Term Care Provider Fund due to an increase in assets at the end of fiscal year 2009, which allowed an increase in the medical accrual allocated to the fund; and, an increase in the Hospital Provider Fund as a result of the fiscal year 2009 Disproportionate Share Hospital payment to the University of Illinois not being paid until September and October of fiscal year 2010 resulting in the federal reimbursement being classified as unavailable revenue. The increases were offset by the following: a decrease in the U of I Hospital Services Fund due to a change in payment methodology, resulting in overpayments, reducing the medical accrual allocated to the fund; and, a decrease in the County Hospital Services Fund due to a decrease in the medical accrual allocated due to the overpayment of Cook County hospitals during fiscal year 2009.

**Fund Balance**

Reserved for encumbrances – The decrease of \$9.5 million in the Long-Term Care Provider Fund was due to increased spending in fiscal year 2008 for services due to available cash balances in fiscal year 2008.

Unreserved – The increase of \$503.9 million was due to a new revenue stream in fiscal year 2009 created by the American Recovery and Reinvestment Act of 2009.

**ROAD FUND**

**Liabilities**

Due to other Department funds – The increase of \$6.5 million was due to an increase in the liability to the Health Insurance Reserve Fund and general healthcare costs.

**Fund Balance**

Unreserved – The decrease of \$6.5 million was due to an increase in the liability to the Health Insurance Reserve Fund and general healthcare costs.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2009

**NON-MAJOR GOVERNMENTAL FUNDS**

**Assets**

Due from other government – federal – The decrease of \$22 million was attributable to the following: a decrease in the Tobacco Settlement Recovery Fund due to a significant increase in spending prior to June 30, 2009, which resulted in less appropriation available to spend in fiscal year 2009 lapse period compared to fiscal year 2008; a decrease in the Low Income Home Energy Assistance Block Grant and Energy Administration Fund due to the transfer of these funds to the Department of Commerce and Economic Opportunity on March 24, 2009 per Executive Order #2. The decreases were offset by an increase in the Child Support Administration Fund due to a variance in estimated expenditures from quarter to quarter and additional federal funding from the American Recovery and Reinvestment Act of 2009.

Other receivables – The decrease of \$11.8 million was the result of a smaller overpayment for drug utilization costs during fiscal year 2009 compared to fiscal year 2008.

Due from other Department funds – The increase of \$2.9 million was due to the Child Support Administration Fund waiting for funds from the General Revenue Fund that were not transferred until after June 30, 2009.

**Liabilities**

Accounts payable and accrued liabilities – The decrease of \$47.4 million was attributable to the following: a decrease in the Tobacco Settlement Recovery Fund due to a significant increase in spending prior to June 30, 2009, which resulted in less appropriation available to spend in fiscal year 2009 lapse period compared to fiscal year 2008; and, a decrease in the Supplemental Low-Income Energy Assistance Fund and the Low Income Home Energy Assistance Block Grant Fund due to the transfer of these funds from the Department to the Department of Commerce and Economic Opportunity on March 24, 2009 per Executive Order #2.

Due to other government – federal – The increase of \$23.1 million was due to the Department paying the federal government after June 30, 2009 for the fourth quarter drug supplement where in fiscal year 2008 this payment was completed prior to the end of the fiscal year.

Due to other Department funds – The increase of \$841 thousand was due to the Department reporting all Health Insurance Reserve Fund liabilities as a Due to Other State Funds instead of Due to Other Department Funds in fiscal year 2008. This was corrected in fiscal year 2009.

Due to other State funds – The increase of \$3.4 million was due to an increase in 2009 payments from the Child Support Administration Fund to Central Management Services' Internal Service Funds being paid after June 30, 2009 because of cash shortages.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2009

Unavailable revenues – The increase of \$3 million was due to federal reimbursement for the fourth quarter not being received and deposited in the Child Support Administration Fund until September 2009 which resulted in the recording of an unavailable revenue instead of being able to recognize the revenue in the current year.

**Fund Balance**

Unreserved – The decrease of \$31.9 million was due to a significant increase in spending in the Tobacco Settlement Recovery Fund during fiscal year 2009 attributed to additional federal funding from the American Recovery and Reinvestment Act of 2009.

**NON-MAJOR PROPRIETARY FUNDS**

**Enterprise Fund (Local Government Health Insurance Reserve Fund)**

**Assets**

Cash and cash equivalents – The decrease of \$1.8 million was due to transfers that were made in fiscal year 2008 from Northern Trust investments to The Illinois Funds to make certain there were enough funds to cover wire requests from health care service providers. These same transfers did not happen in fiscal year 2009.

**Liabilities**

Accounts payable and accrued liabilities – The decrease of \$1.1 million was due to a decrease in the incurred but not reported liability and a decrease in other health care accruals due to a decline in membership.

**Net Assets**

Unrestricted – The decrease of \$2.5 million was attributed to the fact that revenues decreased more than expenditures and there was \$1 million transferred to the Budget Relief Fund pursuant to Public Act 95-1000 in fiscal year 2009 that did not occur in fiscal year 2008.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2009

**Internal Service Fund (Health Insurance Reserve Fund)**

**Assets**

Cash equity with State Treasurer – The decrease of \$25.7 million was due to the lack of cash available to cover expenses. In addition, the fund was also waiting on transfers from the General Revenue Fund.

Cash and cash equivalents – The decrease of \$18 million was due to decreases in the locally held accounts because of a decrease in funding from the Treasury Account due to a reduction of cash available.

Due from other government – federal – The increase of \$1.7 million was due to changes in the estimate of federal Medicare Part D reimbursements due from the federal government at the end of fiscal year 2009. The estimates are based on information sent by vendors and the increase in fiscal year 2009 reflects changes in prior estimated eligible prescription volumes, costs, discounts, and changes in eligible drugs.

Due from other Department funds – The increase of \$180 million was due to increased transfers from the General Revenue Fund and the Road Fund to cover the increased deficit in the Health Insurance Reserve Fund as required by the Group Insurance Act of 1971 (5 ILCS 375/13/1).

Due from other State funds – The increase of \$140 million was due to the Department waiting on approximately \$141 million in mandatory transfers from the General Revenue Fund. These transfers were not made due to cash shortages.

Due from State of Illinois component units – The increase of \$8.1 million was due to University reserve payments that were being paid from the General Revenue Fund that were on hold at the Illinois Office of the Comptroller at the end of fiscal year 2009 due to cash shortages.

**Liabilities**

Accounts payable and accrued liabilities – The increase of \$279.8 million was due to an increase in holds, outstanding check liabilities, accrued interest, and increased claims for vendors that were not paid at the end of fiscal year 2009. In addition, accounts payable were higher in the current year due to the Department waiting on transfers from the General Revenue Fund resulting in the Department not being able to pay current healthcare bills due to a shortage of cash.

Due to other State funds – The decrease of \$425 thousand was due to a significant decrease in lapse period spending during fiscal year 2009 for statistical and tabulating services.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2009

Current portion of long-term obligations – The increase of \$5 million was due to the Department recording workers’ compensation payments that were paid after June 30, 2009 as a long-term obligation in fiscal year 2009. In fiscal year 2008, these payments were recorded as accounts payable and accrued liabilities.

**FIDUCIARY FUNDS**

**Pension Trust Funds**

**Assets**

Cash and cash equivalents – The decrease of \$6.5 million was due to decreases in the locally held accounts because of a decrease in funding from the Treasury Account due to a reduction of cash available.

Due from other government – federal – The increase of \$1.2 million was due to an increase in the number of participants in the Teachers’ Health Insurance Program and an increase in Medicare Part D medical costs.

**Liabilities**

Due to other State funds – The decrease of \$566 thousand was due to a significant decrease in lapse period spending during fiscal year 2009 for statistical and tabulating services.

**Agency Funds**

**Assets**

Cash and cash equivalents – The decrease of \$1.7 million in the Child Support Enforcement Trust Fund - State Disbursement Unit was due to a decrease in the number of payments remaining at the end of fiscal year 2009 and was attributed to more efficient identifying and processing of child support payments.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF ACCOUNTS RECEIVABLE**  
For the Years Ended June 30, 2009 and 2008  
(amounts in thousands)

<b>Balance Sheet at June 30th of</b>	<u><b>2009</b></u>	<u><b>2008</b></u>
<b>Accounts Receivable (Net)</b>		
General Funds	\$ 84,103	\$ 116,261
Special Revenue Funds	21,969	33,756
Enterprise Funds	180	271
Internal Service Funds	8,787	10,556
Fiduciary Funds	232,598	214,624
<b>Total Accounts Receivable (Net)</b>	<u><u>\$ 347,637</u></u>	<u><u>\$ 375,468</u></u>
 <b>Accounts Receivable - All Funds</b>		
At Gross	\$ 4,032,331	\$ 3,843,636
Less: Allowance for Uncollectible Accounts	<u>(3,684,694)</u>	<u>(3,468,168)</u>
<b>Total Accounts Receivable (Net)</b>	<u><u>\$ 347,637</u></u>	<u><u>\$ 375,468</u></u>
 <b>Aging of Gross Receivables</b>		
	<u><b>2009</b></u>	<u><b>2008</b></u>
<b>Receivables Not Past Due</b>	\$ 95,149	\$ 146,591
 <b>Past Due Receivables:</b>		
1 - 30 Days	605,343	535,973
31 - 90 Days	17,130	14,660
91 - 180 Days	21,676	19,832
181 Days - 1 Year	51,443	44,183
Over 1 Year	3,241,590	3,082,397
<b>Total</b>	<u><u>\$ 4,032,331</u></u>	<u><u>\$ 3,843,636</u></u>

Receivable areas within the Department adhere to the guidelines set forth by the Illinois State Collections Act of 1986 along with policy and legislation relevant to their program. Included in those guidelines are: internal offsets against future claims for providers with outstanding debt, Comptroller's Offset System, cyclical billings, letters and telephone contacts, private collection agencies, liens and judgments, and notify credit reporting agencies. In addition, the Department has implemented other methods of collection such as: income withholding, unemployment insurance benefit intercept, federal income tax refund offsets, professional license revocations, judicial remedies, driver's license revocations, new hire reporting, financial institution data match, agency collectors, Department of Revenue initiative, and referral to Attorney General's office.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**INDIRECT COST REIMBURSEMENTS**  
For the Year Ended June 30, 2009  
(Unaudited)

The Department uses a cost allocation methodology to allocate indirect costs associated with the federal programs it administers in accordance with the Federally Approved Public Assistance Cost Allocation Plan. For fiscal year 2009, the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated \$65.322 million. For fiscal year 2008, the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated \$57.888 million.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF ADJUDICATION PATTERN, PAYMENT PATTERNS AND CLAIMS PAID**  
For the Years Ending June 30, 2009 and 2008  
(Unaudited)

<b>This only reflects schedules processed through MMIS</b>	Adjudication processing time elapsing in calendar days		Time elapsing in calendar days, to pay a claim		Total dollar amount of claims paid	
	<b>Average for FY 2008</b>	<b>Average for FY 2009</b>	<b>Average for FY 2008</b>	<b>Average for FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b><u>General Revenue Fund</u></b>						
Drugs	54.9	44.7	71.3	109.7	\$ 794,832,435	\$ 524,494,891
Hospitals						
Inpatients	48.1	45.8	58.2	74.5	1,839,893,108	2,313,593,588
Ambulatory	55.5	48.3	67.6	81.7	456,355,825	622,358,153
Long-term care	36.5	52.0	49.6	77.2	875,089,315	1,183,522,444
L-T Care Developmentally Disabled	46.2	43.0	65.4	89.8	336,350,871	340,772,099
Non-institutional provider services	38.5	33.7	47.6	58.6	717,287,264	795,262,291
Physician	25.6	16.6	33.7	37.7	809,142,239	905,409,951
<b>Overall averages/totals</b>	<b>43.6</b>	<b>40.6</b>	<b>56.2</b>	<b>75.6</b>	<b>\$ 5,828,951,057</b>	<b>\$ 6,685,413,417</b>
<b><u>Assessment Trust Funds</u></b>						
Drug Rebate	39.2	50.4	41.4	55.2	\$ 88,027,759	\$ 226,606,294
Long-term care	34.6	51.4	37.0	53.3	594,103,903	535,829,740
L-T Care Developmentally Disabled	48.9	37.9	52.1	40.5	43,150,524	34,647,000
<b>Overall averages/totals</b>	<b>40.9</b>	<b>46.6</b>	<b>43.5</b>	<b>49.7</b>	<b>\$ 725,282,186</b>	<b>\$ 797,083,034</b>

This analysis presents average Medicaid adjudication days, which are defined as the time elapsing in calendar days from the receipt date to the date the claims are vouchered. This schedule also presents average payment days, which are defined as the time elapsing in calendar days from the receipt date to the date a warrant is mailed by the State Comptroller.

This schedule does not include HMO or Quarterly CHAP expenditures, as these adjudication and payment cycles are not tracked.

The Long-term care - developmentally disabled general revenue fund and assessment trust fund are Department of Human Services (DHS) appropriations, but the Department of Healthcare and Family Services manages payment of claims from these funds on behalf of DHS.

Fiscal year 2008 figures have been adjusted to more accurately reflect claims paid during the fiscal year.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2009

The Illinois Department of Healthcare and Family Services (Department) is committed to empowering Illinois residents to lead healthier and more independent lives by providing health care coverage for adults, children, seniors, and the disabled. The Department is devoted to helping ensure that Illinois children receive financial support from both parents by establishing and enforcing child support obligations, improving the energy efficiency of low-income families through energy conservation and bill payment assistance, and the effective management of healthcare purchasing.

The Department is organized into four major program areas including the Division of Medical Programs, the Division of Child Support Enforcement, the Office of Energy Assistance (transferred to the Department of Commerce and Economic Opportunity on March 24, 2009), and the Office of Healthcare Purchasing. In addition, the Office of the Inspector General is maintained within the agency, but functions as a separate, independent entity reporting directly to the governor's office.

**Child Support Enforcement**

The Department administers the federally mandated Title IV-D child support program for the State of Illinois through the Division of Child Support Enforcement (DCSE). The objectives of the program are to establish paternity, locate non-custodial parents, establish and enforce child and medical support obligations, collect, distribute and disburse support payments, review and modify support orders, and provide services to non-custodial parents. The DCSE serves more than 500,000 families composed of both Temporary Assistance to Needy Families (TANF), mandatory Medical Assistance No Grant (MANG) clients and any other Illinois resident requesting child support enforcement services (Non-Assistance clients). Together, the TANF, MANG, and Non-Assistance cases receiving the services are known as Title IV-D cases. The DCSE also processes non-IV-D cases through the State Disbursement Unit.

The DCSE additionally assists other states to establish parentage and enforce child support on behalf of their residents. In recent years, the Department has placed additional emphasis on the collection of past-due child support. Various enforcement methods are available for DCSE to utilize in their attempts to collect past due support payments, including, but not limited to: intercepting federal and state tax refunds; intercepting lottery winnings, referring to the Secretary of State for driver's license suspension, and referring to private collection agencies.

Total program expenditures reflect administrative expenses from the Child Support Administrative Fund, the General Revenue Fund and allocation of the Department's indirect administrative expenditures. Not included are the dollars expended as payments to custodial parents, refunds to non-custodial parents who have overpaid support and expenditures from the Illinois Department of Revenue and the Office of the Illinois Attorney General.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2009

**Energy Assistance**

The Department's Office of Energy Assistance administered the Low Income Home Energy Assistance (LIHEAP) and the Illinois Home Weatherization Assistance (IHWAP) programs. Executive Order 2009-2 transferred the Office of Energy Assistance to the Department of Commerce and Economic Opportunity in March 2009. In fiscal year 2009, 479,416 households received assistance grants through LIHEAP and 7,854 homes were weatherized through IHWAP.

Each year through the LIHEAP program, low-income households in Illinois receive one-time grants that allow them to reestablish and/or maintain their home energy service. The purpose of LIHEAP is to assist low-income households that pay a high proportion of household income for home energy with meeting their immediate home energy needs.

The IHWAP program helps low-income families lower their energy costs by providing a range of weatherization services including insulating attics and walls and ensuring that heating systems are safe and in good working order.

**Medical Programs**

In fiscal year 2009, the average monthly count of enrolled individuals for which the Department provided means-tested medical coverage was over 2.5 million Illinoisans, including pregnant women, infants, children and teenagers, parents or caretaker relatives raising children younger than 19, seniors 65 years of age or older, persons who have a disability or blindness, people struggling with one-time catastrophic medical bills, and children and adults with chronic health problems. The primary goal of this program is to improve the health of Medical Program's participants by providing access to quality health care.

About two-thirds of the medical program budget is expended for health care to seniors and persons with disabilities. The total number of persons with disabilities on Medicaid was 419,677 in fiscal year 2009. Long-term care caseloads have remained relatively stable over the last few years. The average monthly resident count age 65 and over for fiscal year 2009 was 37,578.

Since the inception of AllKids in 2005, the Department continued to enhance the program. Illinois became the first state to ensure every uninsured child had access to affordable healthcare coverage regardless of family income or pre-existing condition. During fiscal year 2009, the Department continued its efforts to strengthen the network of application agents and educate providers throughout the State, and increased enrollment to more than 1.5 million children.

In 2007, the Department expanded coverage to parents of AllKids children through a federal waiver program called FamilyCare. FamilyCare covers parents or caretaker relatives of children with income up to 185 percent of poverty regardless of assets. As of June 30, 2009, 562,689 non-senior adults without disabilities were covered through the Department's medical programs. Of those, 177,106 have gained coverage through the FamilyCare program.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2009

The Department also administers several programs that cover a limited set of services. Included in this category is the Illinois Cares Rx program. This program provides drug coverage to seniors and persons with disabilities who have limited incomes. For people with Medicare, Illinois Cares Rx coordinates with Medicare Part D plans to help participants with the gaps in coverage under the federal program.

Overall, the Medical Programs are operated through fourteen units, which directly participate in the administration of the Department's medical programs. Additionally, the Division of Finance develops the Department's budget and secures the necessary appropriation authority, ongoing fiscal management, and federal participation that is necessary to carry out the programs.

### **Healthcare Purchasing**

The Office of Healthcare Purchasing (OHP) was formed to oversee all non-Medicaid related procurement of health services. The OHP procures healthcare services needed to provide coverage for: State Employees Group Insurance Program covering 345,000 lives; State Employee/Retiree Flu Vaccination Program providing over 30,500 flu shots; Local Government Health Program covering 8,900 lives; Teachers' Retirement Insurance Program covering 64,000 lives; College Insurance Program covering 5,400 lives; Illinois Prescription Drug Discount Program covering 67,000 lives; Department of Corrections and Department of Juvenile Justice inmates in 36 facilities covering youth, female and male inmates; Department of Human Services (DHS) residents in eight Mental Health facilities; DHS residents in nine Developmental Disabilities facilities; DHS residents in three Rehabilitation facilities; and Department of Veterans' Affairs residents in four facilities.

### **Office of the Inspector General**

The mission of the Office of the Inspector General (OIG) is to prevent, detect, and eliminate fraud, waste, abuse, mismanagement and misconduct in programs administered by the Department. The OIG conducts investigations for mismanagement in the programs administered by the Department as well as investigations for programs administered by the Department of Human Services. The OIG combats fraud and abuse by: implementing innovative Medicaid fraud prevention and detection techniques, preventing ineligible applicants from receiving benefits, conducting client eligibility investigations, performing client Medicaid fraud investigations, restricting clients who abuse their benefits to one physician and/or pharmacy, conducting post-payment audits and Quality of Care reviews of Medicaid providers and identifying assets which were not disclosed by applicants for long term care.

### **Planning Process**

The Department maintains an Office of Planning within the Director's Office. The Office of Planning is responsible for creating the Department's strategic plan and monitoring the progress of projects related to the accomplishments of the strategic plan. As part of this monitoring, responsible parties, targets, and milestones are identified. The office collects hard data on how well the Department's programs are performing and what effect the implementation of the plan has on the Department's outcomes.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2009

In fiscal year 2007, the Department completed its strategic planning effort for the period covering FY08-FY11 in conjunction with the Governor's Office of Management and Budget. For fiscal year 2009, the Department focused on key initiatives that best reflect the Department's mission. Department goals were developed to support these key initiatives and the agency continues to strive toward these goals.

As part of the Governor's Performance Management Initiative, the Department also developed performance measures and targets for each goal. These performance metrics were finalized and implemented. Performance measures and targets were updated for fiscal year 2009.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**AVERAGE NUMBER OF EMPLOYEES**  
For the Years Ended June 30, 2009 and 2008

Below is a summary of the average number of personnel employed by the Department, by fund, for the fiscal years ended June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
General Revenue Fund		
Program Administration	265	265
Office of Inspector General	178	176
Attorney General	21	21
Medical	549	551
Managed Care	20	19
Kid Care - Look a like	122	112
Kid Care - Rebate	38	34
Prescribed Drugs	29	32
Medi Rev*	7	6
Total General Revenue Fund	<u>1,229</u>	<u>1,216</u>
Other Funds		
Care Provider for Persons with DD	1	1
Long-Term Care Provider	10	12
Medical Special Purpose Trust	11	12
Child Support Administration	1,031	990
Public Assistance Recoveries Trust	135	136
Energy Assistance	25	28
Group Insurance	20	18
Total Other Funds	<u>1,233</u>	<u>1,197</u>
Grand Total - All Funds	<u><u>2,462</u></u>	<u><u>2,413</u></u>

\* Medical electronic interchange recipient eligibility verification

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**FISCAL YEAR STATISTICS**  
**MEDICAID ENROLLMENT**  
For the Years Ended June 30, 2009, and 2008  
(Unaudited)

		<u>2009</u>	<u>2008</u>
Average Number of Enrollees	(1)	2,721,031	2,576,386
Annual Expenditures	(2)	\$10,303,573,400	\$8,607,173,800
Expenditure per Enrollee	(3)	\$3,786.64	\$3,340.79

NOTES:

- (1) Enrollment includes Illinois Cares Rx and reflects the average of each month's ending enrollees.
- (2) Fiscal year Appropriation Spending (14 month). Spending also includes individual medical claims expenditures from the Hospital Provider Fund.
- (3) For illustration purposes only: Expenditure per enrollee is calculated by dividing expenditures against a given fiscal year's appropriations by the average number of enrollees for that fiscal year. The resulting figures do not represent actual cost per user.

SOURCE: Division of Finance

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**EMERGENCY PURCHASES**  
For the Year Ended June 30, 2009

The Department reported the following emergency purchases to the Office of the Auditor General during fiscal year 2009.

<u>Vendor/Description</u>	<u>Cost</u>
<p>E.L. Johnson Investigations, Inc.</p> <p>The Department entered into an emergency six-month contract with E.L. Johnson Investigations, Inc. Immediate action was needed to prevent and minimize serious disruption in State services and the circumstances would not permit the delay required to resolicit competitive sealed bids. Emergency conditions existed after unsuccessful attempts to use competitive sealed bidding. E.L. Johnson provided to the Department's Division of Child Support Enforcement required service of process.</p>	\$78,668.50
<p>Magellan Health Services</p> <p>The Department entered into an emergency six-month contract with Magellan Health Services.</p> <p>Under this contract, Magellan administered specialized screening and treatment for Illinois veterans needing timely access to critical mental health and other screening services. There was a significant threat to the public health and well-being of State residents who were returning from deployments, especially from engagements in Iraq and Afghanistan, for whom mental health care was unavailable or inaccessible on a timely basis from other sources. The program's intent was not to replace existing services for veterans, but to supplement them where gaps existed due to the burgeoning demand. This program also made Traumatic Brain Injury (TBI) screenings mandatory for all returning members of the Illinois Army National Guard.</p> <p>All Illinois veterans who screened positive for TBI and Post Traumatic Stress Disorder (PTSD) were eligible to participate in the treatment aspects of this program. The contract term was 1/15/08 through 6/30/08 but was extended for another 6 months from 7/29/08 through 1/28/09. The extension was a result of additional research and analysis being needed on the latest treatment for PTSD, TBI, and related services before the Request for Proposal (RFP) for Illinois Warrior Assistance Program (IWAP) can be published. The RFP is anticipated to be published in the fall of 2008. This contract extension allowed the State to keep the vital program intact while the plans to re-procure the program are finalized.</p>	\$113,721.00

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**EMERGENCY PURCHASES**  
For the Year Ended June 30, 2009

Phillips Brothers Printing

The Department entered into an emergency contract with Phillips Brothers Printing. This was necessary in order to meet the Comptroller's deadline of October 10, 2008 for the distribution of medical cards. The emergency purchase was required to complete the printing of an informational newsletter providing critical information on healthcare, preventive care, Illinois Health Connect, tips for staying healthy, and resource and contract information for all healthcare programs offered by the Department. In order to maximize competition, an informational bid was conducted by contracting approximately eight printing vendors. The Department selected the lowest responsive vendor.

\$41,627.00

Total

\$234,016.50

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2009  
(Unaudited)

**Child Support Enforcement Program**

**Description of the Program**

The Division of Child Support Enforcement (DCSE) serves more than 500,000 families composed of Temporary Assistance to Needy Families (TANF), mandatory Medical Assistance No Grant (MANG) clients and any other Illinois resident requesting child support enforcement services (Non-Assistance clients). The Division helps to establish paternity, locate non-custodial parents, establish child support through judicial or administrative processes, and enforce child support orders through income withholding orders, unemployment benefit intercepts, federal and state tax intercepts, real and personal property liens, denial of passports, suspension of drivers, hunting, and fishing license and other lump sum intercepts. It also assists other states to establish parentage and establish and enforce child support on behalf of their residents. Together, the TANF, MANG and Non-Assistance cases receiving these services are known as Title IV-D cases. DCSE also processes non IV-D cases through the State Disbursement Unit. These activities suggest some of the basic indicators of DCSE's performance, many of which are driven by federal reporting requirements and standards.

**Program Goal**

The program goal is to enforce child support payment obligations of non-custodial parents for Illinois' most vulnerable children.

<b>Performance Measures</b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>
Total child support collections (in thousands, includes all Title IV-D, TANF & non-TANF)	\$1,327,948	\$1,386,542
Number of IV-D cases with new support orders established	53,859	49,952
Amount of total child support arrearages collected (in thousands, includes all Title IV-D, TANF & non-TANF)	\$283,625	\$311,864

**Evaluation of Performance/Activity Measures**

Effectiveness is measured by monitoring the status of the measures shown above on an ongoing basis. Additionally, DCSE measures the percentage of children in IV-D cases born out-of-wedlock where parentage has been established and the percentage of IV-D cases where support orders are established.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2009  
(Unaudited)

**Energy Assistance Program**

**Description of the Program**

The Office of Energy Assistance administered the Low Income Home Energy Assistance (LIHEAP) and the Illinois Home Weatherization Assistance (IHWAP) programs. Executive Order 2009-2 transferred the Office of Energy Assistance to the Department of Commerce and Economic Opportunity in March 2009.

Each year through the LIHEAP program, low-income households in Illinois receive one-time grants that allow them to reestablish and/or maintain their home energy service. The purpose of LIHEAP is to assist low-income households that pay a high proportion of household income for home energy with meeting their immediate home energy needs.

The IHWAP program helps low-income families lower their energy costs by providing a range of weatherization services, including insulating attics and walls and ensuring that heating systems are safe and in good working order.

**Program Goal**

The program goal is to reduce the energy burden of low-income Illinoisans in the Energy Assistance programs.

<b>Performance Measures</b>	<b><u>FY 2008</u></b>	<b><u>FY2009</u></b>
Number of households receiving LIHEAP assistance	319,989	479,416
Number of households receiving home weatherization services	7,428	7,854

**Evaluation of Performance/Activity Measures**

Effectiveness is measured by monitoring the status of the measures shown above on an ongoing basis. Additionally, the Office of Energy Assistance measures numerous other activities such as the number of applications taken, emergency reconnections for heating and cooling assistance and the average benefit per household for furnace and cooling assistance.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2009  
(Unaudited)

**Medical Programs**

**Description of the Program**

The Division of Medical Programs provides managed care services, long-term care services, and comprehensive health services to Illinois' neediest residents. The Department of Healthcare and Family Services (Department) is also the primary State administrator of federal Medicaid health care policies under the Social Security Act. Through a central unit based in Springfield, the Department also determines eligibility for AllKids and FamilyCare programs for children and parents, Medicaid, the State Children's Health Insurance Program, and Moms and Babies health plans for pregnant women, through mail-in and web-based applications. In-person applications are taken and processed by the Illinois Department of Human Services local offices throughout the State.

**Program Goal**

The primary goal of this program is to improve the health of Medical Programs' participants by providing access to quality health care.

<b>Performance Measures</b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>
Total Medical Program Expenditures (in thousands)	\$12,824,021	\$13,905,624
Number of actively enrolled physicians billing over 100 claims per year	19,211	20,360
Total number of children enrolled in Medical Programs	1,457,829	1,553,227

**Evaluation of Performance/Activity Measures**

Primary Care Case Management Program (PCCM) – Illinois Health Connect, the PCCM program, provides a medical home to all eligible enrollees in the Department's means-tested medical programs, offering quality medical care in a cost-effective delivery model. Illinois Health Connect enrollment began in the fourth quarter of fiscal year 2007 and statewide enrollment was completed in the second quarter of fiscal year 2008. Over 1.8 million patients are assigned to over 5,000 medical homes.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2009  
(Unaudited)

Accountability

Although providing access to quality health care is the overriding mission of the Department, the goal is to be accountable to the citizens of Illinois and to perform this function in the most cost effective and efficient manner. Two performance indicators have been selected to measure this effectiveness: Savings from prepayment review of nearly 6.9 million medical services and cost avoidance by preventing unnecessary expenditures. Savings from prepayment review of claims for fiscal year 2009 was over \$120 million. Cost avoidance is a strategy recognized by the Centers for Medicare and Medicaid Services and is devised to make Medicaid the payer of last resort. Cost avoided dollars are Medicaid savings, realized through the discovery of a private payer responsible for medical bills of medical assistance participants. The Department saved the taxpayers of Illinois over \$141 million in fiscal year 2007, more than \$161 million in fiscal year 2008, and over \$229 million in fiscal year 2009.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2009  
(Unaudited)

**Inspector General**

**Description of the Program**

The Inspector General is appointed by the Governor, reports to the Executive Inspector General, and is confirmed by the Senate. The mission of the Office of Inspector General (OIG) is to prevent, detect and eliminate fraud, waste, abuse, misconduct, and mismanagement in the programs administered by the Department. The OIG also conducts investigations for the Department's programs administered by the Department of Human Services.

**Program Goal**

The OIG is committed to combating fraud and abuse through its efforts of implementing innovative Medicaid fraud prevention and detection techniques, preventing ineligible applicants from receiving benefits, conducting client eligibility investigations, performing client Medicaid fraud investigations, restricting clients who abuse their benefits to one physician and/or pharmacy, conducting post-payment audits and quality of care reviews of Medicaid providers, and identifying assets hidden by long-term care applicants.

<b>Performance Measures</b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>
Provider post-payment audits performed	324	159
Number of fraud prevention investigations completed	4,388	3,472

**Evaluation of Performance/Activity Measures**

The OIG conducted 159 post-payment audits during fiscal year 2009, which represent 51 percent fewer audits performed than last year. In fiscal year 2008, the number of self and desk audits completed were drastically reduced because OIG resources were diverted to record retrieval and record review for the national Payment Error Rate Measurement (PERM) project. Fraud research efforts were also redirected to the development of a predictive modeling system rather than new provider audit targets. The reduction has continued into fiscal year 2009.

The audits were conducted to help ensure that Medicaid dollars were spent appropriately. These audits, while reduced in number, allowed the OIG to recover approximately \$26 million in overpayments during fiscal year 2009, compared to approximately \$22 million in fiscal year 2008. The OIG conducted 3,472 fraud prevention investigations during fiscal year 2009, to prevent ineligible applicants from receiving welfare benefits.