



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

COVERING ALL KIDS HEALTH INSURANCE PROGRAM

PROGRAM AUDIT

For the Year Ended: June 30, 2013

Release Date: August 2014

SYNOPSIS

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act [215 ILCS 170/63] and directed the Auditor General to annually audit the ALL KIDS program. This is the **fifth annual audit** and covers FY13. The focus of this audit is on “EXPANDED ALL KIDS,” which is the portion of the ALL KIDS program that serves uninsured children not previously covered by KidCare (children whose family income was greater than 200 percent of the federal poverty level or who were undocumented immigrants).

The population for this audit has decreased since the FY12 audit due to the passage of PA 96-1501, which made children whose families’ household income was above 300 percent of the federal poverty level (FPL) ineligible for EXPANDED ALL KIDS.

This FY13 audit follows up on the Department of Healthcare and Family Services’ (HFS) and the Department of Human Services’ (DHS) actions to address prior audit findings. Our audit found:

- In FY13, 84,563 children were enrolled in EXPANDED ALL KIDS.
- Services provided in FY13 for the EXPANDED ALL KIDS enrollees totaled \$75.2 million.
- Of the 34,952 EXPANDED ALL KIDS recipients that required a redetermination of eligibility in FY13, we determined that 11,328 (32%) were not redetermined annually as required.
- HFS and DHS did not verify one month of income for determining continued eligibility as required by Public Act 96-1501.
- In FY13, 154 recipients received 1,966 services totaling \$111,004 after the month of their 19th birthday. Additionally, there were 283 individuals who appeared to be enrolled with more than one identification number. We also compared the FY13 duplicates with the duplicates identified in our FY11 audit and **determined that 86 of the duplicates in FY11 were still duplicates in FY13.**
- During our review in FY13, we found the EXPANDED ALL KIDS data continued to have recipients who appear to be incorrectly coded as “undocumented.” Many recipients had verified social security numbers, alien registration numbers, or a combination of both.
- During testing we found that residency was not documented as verified in 6 of 37 (16%) files sampled. We also found birth or identity documentation, such as a birth certificate, was not obtained for 11 of the 37 (30%) recipients tested.
- While HFS and DHS took some action to address the previous 10 recommendations, 8 of the recommendations are repeated.

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**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

BACKGROUND

The expansion added children whose family income was greater than 200 percent of the federal poverty level and all undocumented immigrant children.

Effective July 1, 2006, Illinois' KidCare program, which included Medicaid and Children's Health Insurance Program (CHIP) populations, **was expanded** by the Covering ALL KIDS Health Insurance Act to include all uninsured children not previously covered. The expansion added children whose family income was greater than 200 percent of the federal poverty level (FPL) and all undocumented immigrant children. At that time, the KidCare program was renamed ALL KIDS. Since the EXPANDED ALL KIDS program is a subset of a much larger ALL KIDS program, **many of the recommendations in this report may be relevant to the program as a whole.**

Throughout this audit, we will refer to the portion of the ALL KIDS program that serves the uninsured children not previously covered by KidCare as "EXPANDED ALL KIDS."

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act [215 ILCS 170/63] directing the Auditor General to annually audit the EXPANDED ALL KIDS program beginning June 30, 2008, and each June 30th thereafter. The Public Act was effective June 1, 2009. This is the fifth annual audit (FY13). The first audit (FY09) was released in May 2010 and contained 13 recommendations. The second audit (FY10) was released in April 2011 and contained 14 recommendations. The third audit (FY11) was released in October 2012 and contained 11 recommendations. The fourth audit (FY12) was released in December 2013 and contained 10 recommendations.

This FY13 audit of the EXPANDED ALL KIDS program follows up on the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings. While HFS and DHS took some action to address the previous recommendations, many were not implemented during this audit period (FY13). (pages 4-7, 14)

Recent Changes to the Covering ALL KIDS Health Insurance Program

Three events in recent years have had a significant impact on the EXPANDED ALL KIDS program and our audits.

Three events in recent years have had a significant impact on the EXPANDED ALL KIDS program and our audits. The first was the passage of Public Act 96-1501, which added an income limit for determining eligibility for the EXPANDED ALL KIDS program. Effective July 1, 2011, children whose families' household income was above 300 percent of the

Effective July 1, 2011, children whose families' household income was above 300 percent of the federal poverty level (FPL) were no longer eligible.

Illinois was approved to receive federal reimbursement for citizens and documented immigrant children in a family with income up to 300 percent of the FPL under Title XXI of the Social Security Act.

federal poverty level (FPL) were no longer eligible. Children enrolled as of July 1, 2011, were able to remain enrolled in the program until June 30, 2012. As a result, there is a reduced number of EXPANDED ALL KIDS participants and expenditures to be audited.

The second event occurred on June 4, 2013. HFS received a notification from the federal Department of Health and Human Services (HHS) that Illinois was approved to receive federal reimbursement for citizens and documented immigrant children in a family with income up to 300 percent of the FPL under Title XXI of the Social Security Act, as reauthorized under the Children's Health Insurance Program Reauthorization Act of 2008 (CHIPRA). CHIPRA was formerly titled the State Children's Health Insurance Program.

Our prior EXPANDED ALL KIDS audits have only included children whose medical care was totally State-funded. Now, with this change, the federal government will reimburse for 65 percent of eligible costs for this population (children from families with income between 200 and 300 percent of FPL). Additionally, the State was granted retroactive reimbursement dating back to July 1, 2008. According to HFS officials, as of July 8, 2014, HFS had recouped \$34.31 million. HFS reported it had requested recoupment of an additional \$37.25 million; however, they were still waiting for approval.

HFS was also given retroactive reimbursement for documented immigrants back to April 1, 2009. This allowed federal reimbursement for documented immigrants regardless of their time in the country. Prior to this, for the State to receive federal reimbursement, documented immigrants had to be in the country for five years. We will follow up on HFS' recoupment of these retroactive funds during our FY14 audit.

The third event affecting our audit is changes in HFS' payment cycle for EXPANDED ALL KIDS claims. When we identified a large decrease in payments in FY12, HFS indicated that the decrease was due to the payment cycle and not a decrease in services. This means that the services were provided in FY12, but were not paid until after the end of the fiscal year. As a result, for this audit, we are reporting on all costs for services that occurred during the fiscal year regardless of when they were paid. (pages 7-8)

ALL KIDS Program

According to HFS, in FY13, Illinois' ALL KIDS program as a whole had a total of 1.9 million enrollees and HFS paid almost \$3.6 billion in claims. In FY13, enrollees that were eligible at any point in the year as a result of the July 1, 2006, ALL KIDS expansion totaled 84,563. On June 30, 2013, there were 58,822 enrollees as a result of the expansion of which 39,859

(68%) were classified as undocumented immigrants in the HFS data.

Over the last three fiscal years, total enrollment has decreased from 74,975 at the end of FY11 to 58,822 at the end of FY13. The 16,153 enrollee decrease from FY11 to FY13 was due to the elimination of Levels 3 through 8 after June 30, 2012 as required by PA 96-1501 and a decrease in undocumented immigrants. Digest Exhibit 1 breaks out enrollment by fiscal year, by plan, and by whether the child had documentation for citizenship/immigration status or whether the child was undocumented. (pages 8-9)

| Digest Exhibit 1 | | | | |
|--|--|---------------------|------------------------------------|---------------|
| EXPANDED ALL KIDS ENROLLMENT BY PLAN ³ | | | | |
| As of June 30 | | | | |
| EXPANDED ALL KIDS Plan | Citizens/ Documented Immigrants | | Undocumented Immigrants | |
| | FY12 | FY13 | FY12 | FY13 |
| Assist <134% FPL/\$31,321.50 ² | n/a | n/a | 44,623 | 37,938 |
| Share 134%-150% FPL/\$35,325 ² | n/a | n/a | 1,323 | 806 |
| Premium Level 1 151%-200% FPL/\$47,100 ² | n/a | n/a | 1,006 | 811 |
| Premium Level 2 201%-300% FPL/\$70,650 ² | 18,402 ⁴ | 18,963 ⁴ | 301 | 304 |
| Premium Level 3¹ 301%-400% FPL/\$94,200 ² | 1,469 | n/a | 20 | n/a |
| Premium Level 4¹ 401%-500% FPL/\$117,750 ² | 366 | n/a | 5 | n/a |
| Premium Level 5¹ 501%-600% FPL/\$141,300 ² | 82 | n/a | 4 | n/a |
| Premium Level 6¹ 601%-700% FPL/\$164,850 ² | 8 | n/a | 0 | n/a |
| Premium Level 7¹ 701%-800% FPL/\$188,400 ² | 2 | n/a | 0 | n/a |
| Premium Level 8¹ >800% FPL/No limit ² | 5 | n/a | 0 | n/a |
| Totals | 20,334 | 18,963 | 47,282 | 39,859 |
| Notes: | | | | |
| ¹ Plan was eliminated as of July 1, 2011, per PA 96-1501. | | | | |
| ² Denotes the applicable federal poverty level income guidelines for the plan level and the maximum income for a family of four for that plan during FY13. | | | | |
| ³ Enrollment is the total number of enrollees that were eligible on June 30 of 2012 and 2013. There were 92,879 enrollees eligible at some point during FY12 and 84,563 enrollees eligible at some point during FY13. | | | | |
| ⁴ HFS was notified on June 4, 2013, by the Centers for Medicare and Medicaid Services, that Illinois children up to 300 percent of the federal poverty level were approved to be covered by Title XXI of the Social Security Act (Medicaid). This has a retroactive effective date of July 1, 2008. | | | | |
| Source: ALL KIDS enrollment data provided by HFS. | | | | |

ALL KIDS Services Provided by Fiscal Year

The cost for services increased to \$89 million in FY10 and to \$89.3 million in FY11. The total cost for services dropped to \$87.8 million in FY12 and to \$75.2 million in FY13.

According to claim data provided by HFS, the cost of services for EXPANDED ALL KIDS in FY09 totaled \$78.8 million. The cost for services increased to \$89 million in FY10 and to \$89.3 million in FY11. The total cost for services dropped to \$87.8 million in FY12 and to \$75.2 million in FY13. The majority of the cost for services was for undocumented immigrants. Cost for services for undocumented immigrants totaled \$55.1 million in FY09, \$60.2 million in FY10, \$54.9 million in FY11, \$55.7 million in FY12, and \$48.8 million in FY13. Therefore, in FY13 undocumented immigrants made up 65 percent of the total costs for EXPANDED ALL KIDS.

Digest Exhibit 2 breaks out the cost of services by whether the child had documentation for citizenship/immigration status or whether the child was undocumented for both FY12 and FY13. The Exhibit shows the cost of services decreased by \$12.6 million from \$87.8 million in FY12 to \$75.2 million in FY13. (pages 10-11)

Digest Exhibit 2
EXPANDED ALL KIDS COST OF SERVICES PROVIDED BY ALL KIDS PLAN
 Fiscal Years 2012 and 2013

| EXPANDED ALL KIDS Plan | Citizens/Documented Immigrants | | Undocumented Immigrants | | Totals | |
|--|-----------------------------------|---------------------------|-------------------------|---------------------|---------------------|---------------------|
| | FY12 | FY13 | FY12 | FY13 | FY12 | FY13 |
| Assist <134% FPL/\$31,321.50 ¹ | n/a | n/a | \$52,923,796 | \$46,646,334 | \$52,923,796 | \$46,646,334 |
| Share 134%-150% FPL/\$35,325 ¹ | n/a | n/a | \$1,242,744 | \$919,741 | \$1,242,744 | \$919,741 |
| Premium Level 1 151%-200% FPL/\$47,100 ¹ | n/a | n/a | \$1,085,655 | \$885,206 | \$1,085,655 | \$885,206 |
| Premium Level 2 201%-300% FPL/\$70,650 ¹ | \$24,922,858 ³ | \$26,409,537 ³ | \$332,515 | \$303,525 | \$25,255,373 | \$26,713,062 |
| Premium Level 3⁴ 301%-400% FPL/\$94,200 ¹ | \$3,809,884 | \$150 | \$78,912 | n/a | \$3,888,796 | \$150 |
| Premium Level 4⁴ 401%-500% FPL/\$117,750 ¹ | \$2,246,835 | n/a | \$11,994 | n/a | \$2,258,829 | n/a |
| Premium Level 5⁴ 501%-600% FPL/\$141,300 ¹ | \$812,254 | n/a | \$31,685 | n/a | \$843,940 | n/a |
| Premium Level 6⁴ 601%-700% FPL/\$164,850 ¹ | \$203,261 | n/a | \$1,099 | n/a | \$204,361 | n/a |
| Premium Level 7⁴ 701%-800% FPL/\$188,400 ¹ | \$10,200 | n/a | \$0 | n/a | \$10,200 | n/a |
| Premium Level 8⁴ >800% FPL/No limit ¹ | \$80,227 | n/a | \$0 | n/a | \$80,227 | n/a |
| Totals² | \$32,085,520 | \$26,409,687 | \$55,708,401 | \$48,754,805 | \$87,793,921 | \$75,164,492 |

Notes:

¹ Denotes the applicable federal poverty level income guidelines for the plan level and the maximum income for a family of four for that plan during FY13.

² Totals may not add due to rounding.

³ HFS was notified on June 4, 2013, by the Centers for Medicare and Medicaid Services, that Illinois children up to 300 percent of the federal poverty level were approved to be covered by Title XXI of the Social Security Act (Medicaid). This has a retroactive effective date of July 1, 2008. The federal matching rate was 65 percent; therefore, the State's actual cost for the FY13 services was \$9.2 million.

⁴ Plan was eliminated as of July 1, 2011, per PA 96-1501.

Source: ALL KIDS claim data provided by HFS.

Cost of Services and Premiums Collected

HFS received almost \$10.5 million in premiums from enrollees in FY12, and received \$7.7 million in FY13. As a result, the net cost of EXPANDED ALL KIDS after premium payments were applied was approximately \$77.3 million in FY12 and \$67.4 million in FY13. Digest Exhibit 3 shows both FY12 and FY13 cost of services and premiums collected from the EXPANDED ALL KIDS program. (page 13)

| Digest Exhibit 3 COST OF SERVICES FOR EXPANDED ALL KIDS AND PREMIUM AMOUNTS COLLECTED Fiscal Years 2012 and 2013 | | | | | | |
|---|---------------------|---------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
| EXPANDED ALL KIDS Plan | FY12 Services | FY13 Services | FY12 Premiums Collected | FY13 Premiums Collected | FY12 Net Cost ^{3,4} | FY13 Net Cost ^{3,4} |
| Assist <134% FPL/\$31,321.50 ² | \$52,923,796 | \$46,646,334 | n/a | n/a | \$52,923,796 | \$46,646,334 |
| Share 134%-150% FPL/\$35,325 ² | \$1,242,744 | \$919,741 | \$75 | \$0 | \$1,242,669 | \$919,741 |
| Premium Level 1 151%-200% FPL/\$47,100 ² | \$1,085,655 | \$885,206 | \$157,163 | \$124,725 | \$928,492 | \$760,481 |
| Premium Level 2³ 201%-300% FPL/\$70,650 ² | \$25,255,373 | \$26,713,062 | \$8,109,776 | \$7,554,265 | \$17,145,597 | \$19,158,796 |
| Premium Level 3¹ 301%-400% FPL/\$94,200 ² | \$3,888,796 | \$150 | \$1,447,912 | \$36,976 | \$2,440,884 | (\$36,826) |
| Premium Level 4¹ 401%-500% FPL/\$117,750 ² | \$2,258,829 | n/a | \$517,210 | \$10,510 | \$1,741,619 | (\$10,510) |
| Premium Level 5¹ 501%-600% FPL/\$141,300 ² | \$843,940 | n/a | \$197,661 | \$5,420 | \$646,279 | (\$5,420) |
| Premium Level 6¹ 601%-700% FPL/\$164,850 ² | \$204,361 | n/a | \$29,280 | \$650 | \$175,081 | (\$650) |
| Premium Level 7¹ 701%-800% FPL/\$188,400 ² | \$10,200 | n/a | \$11,180 | \$1,000 | (\$980) | (\$1,000) |
| Premium Level 8¹ >800% FPL/No limit ² | \$80,227 | n/a | \$11,440 | \$1,215 | \$68,787 | (\$1,215) |
| Totals⁴ | \$87,793,921 | \$75,164,492 | \$10,481,697 | \$7,734,761 | \$77,312,224 | \$67,429,731 |
| Notes: | | | | | | |
| ¹ Plan was eliminated as of July 1, 2011, per PA 96-1501. ² Denotes the applicable federal poverty level income guidelines for the plan level and the maximum income for a family of four for that plan during FY13. ³ This exhibit does not include any federal reimbursement for Level 2 enrollees, which would decrease the State's total actual cost by 65 percent. ⁴ Totals may not add due to rounding. Source: ALL KIDS claim and premium collection data provided by HFS. | | | | | | |

Follow up on FY12 Recommendations

While HFS and DHS took some action to address the previous 10 recommendations, 8 of the recommendations were not addressed and are repeated.

While HFS and DHS took some action to address the previous 10 recommendations, 8 of the recommendations were not addressed and are repeated. We determined that HFS implemented past recommendations regarding premium payments and optical edits. We will continue to follow up on the eight recommendations that were not implemented during our FY14 annual audit. (pages 2-4, 14)

Redetermination of Eligibility

In the first annual EXPANDED ALL KIDS audit (FY09), auditors concluded that the annual reviews of ALL KIDS eligibility – also called redeterminations – required by the Illinois Administrative Code [89 Ill. Adm. Code 123.260] were not being adequately implemented by HFS. In this audit (FY13), auditors continued to find that redeterminations were not conducted as required.

30 Days of Income Verification

HFS and DHS did not verify one month of income for determining continued eligibility as required by Public Act 96-1501.

HFS and DHS did not verify one month of income for determining continued eligibility as required by Public Act 96-1501. The requirement for the verification of one month of income was effective October 1, 2011. In its response to the FY12 audit, DHS responded that verification of 30 days of income began on or after October 1, 2013, to coincide with the implementation of the first phase of the Integrated Eligibility System. Therefore, since the 30 day income verification requirement was implemented after the audit period for this audit, it will be reviewed as part of our next audit covering FY14.

Annual Eligibility Redeterminations

Public Act 97-0689, effective July 1, 2012, required HFS to contract with an external vendor to assist in completing eligibility redeterminations. HFS contracted with Maximus Health Services, Inc. (Maximus) to be the vendor. In January 2013, Maximus began performing electronic cross match eligibility verifications and requesting documentation from recipients in order to provide recommendations to DHS regarding eligibility. While reviewing the redetermination process conducted by Maximus, we determined before a recommendation was made, Maximus sent letters to recipients requesting information and in most cases attempted to contact the recipients via telephone.

During our review of all eligibility redeterminations for EXPANDED ALL KIDS recipients made in FY13, we found that HFS and DHS did not complete redeterminations of eligibility **annually** for all recipients as required by the

According to the data provided by HFS, 34,952 EXPANDED ALL KIDS recipients required a redetermination of eligibility in FY13. Our analysis of the data showed 23,624 of the 34,952 (68%) were redetermined in FY13. As a result, 11,328 (32%) were not redetermined annually as required by the Act.

Covering ALL KIDS Health Insurance Act. According to the data provided by HFS, 34,952 EXPANDED ALL KIDS recipients required a redetermination of eligibility in FY13. Our analysis of the data showed 23,624 of the 34,952 (68%) were redetermined in FY13. As a result, 11,328 (32%) were not redetermined annually as required by the Act. Maximus made recommendations for 2,874 of the 23,624 recipients. According to our review of HFS documentation, the remaining redeterminations were conducted by HFS or DHS employees. By not conducting annual redeterminations of eligibility, recipients may continue to receive services when they are no longer eligible.

Regarding the 2,874 redetermination recommendations completed by Maximus for EXPANDED ALL KIDS recipients, Maximus recommended 2,779 recipients be canceled, 75 be continued, and 20 be changed to a different eligibility level.

Using the recommendation and data collected by Maximus, State caseworkers made the final determination of eligibility. The review completed by State caseworkers took an average of 19 days. The longest was 196 days.

Our review showed that State caseworkers did not always follow the recommendation made by Maximus. Of the 2,874 recipients reviewed by both Maximus and State caseworkers, Maximus recommended 2,779 recipients be canceled, while State caseworkers canceled 2,275. State caseworkers also changed 143 to a different eligibility level and continued 456.

We randomly sampled 66 recipients where Maximus and State caseworkers agreed to cancel eligibility. We determined 65 of 66 (98%) recipients were recommended for cancellation for not providing the required documentation requested by Maximus.

We randomly sampled 66 recipients where Maximus and State caseworkers agreed to cancel eligibility. We determined 65 of 66 (98%) recipients were recommended for cancellation for not providing the required documentation requested by Maximus. In many instances, Maximus did not receive any response from the recipient. One of the 66 was recommended for cancellation due to aging out of the program and being no longer eligible. During the review, we also determined that 47 of the 65 (72%) recipients that were canceled had not re-enrolled by February 2014.

This audit focused on the redetermination recommendations performed by Maximus. In our next audit, we will examine the redeterminations conducted by HFS and DHS caseworkers. Given that redeterminations were not conducted for 32 percent of eligible EXPANDED ALL KIDS recipients, the status of this recommendation is **repeated** and will be followed up on during the next audit cycle, which covers the period July 1, 2013, to June 30, 2014. (14-17)

Non-Payment of Premiums

During the FY09 and FY10 audits, auditors found that HFS did not terminate ALL KIDS coverage when the enrollee failed to pay premiums timely as required by 89 Ill. Adm. Code 123.340(a). Auditors also found that HFS and DHS did not have controls in place to ensure that families who were previously terminated from coverage met re-enrollment requirements found in the Administrative Code. The Administrative Code [89 Ill. Adm. Code 123.210(c)(2)] requires full payment of premiums due, for periods in which a premium was owed and not paid, before the child can be re-enrolled. Additionally, the Administrative Code [89 Ill. Adm. Code 123.210(c)(4)] requires the first month's premium be paid if there was an unpaid premium on the date the child's previous coverage was canceled.

During the FY11 audit, HFS noted that it was in discussion with DHS regarding system enhancements that could be made to the Automated Intake System so the proper coding would be automatically applied to these cases to prevent re-enrollment of children with outstanding premium debt. According to HFS officials, DHS has been providing reports to HFS for individuals that did not pay premiums since October 2012.

As part of this FY13 audit, we met with HFS officials and reviewed a newly developed report that identifies individuals re-enrolled with unpaid past premiums. According to HFS, due to human caseworker error some individuals are re-enrolled without paying past premiums; however, the report is designed to identify these individuals. HFS also addressed this by issuing an online Medical Morsel (written communication to staff) documenting how to check and enter information for past due premiums. Since this recommendation was addressed by HFS during the audit period, the status of this recommendation is **implemented**. (page 18)

ALL KIDS Data Reliability

Auditors identified issues associated with the eligibility data provided by HFS during recent audits dating back to FY09. These areas included individuals that were older than 18 years of age, who are no longer eligible, and eligibility data which included duplicate enrollees with two different recipient identification numbers and/or different birth dates or addresses.

During our review of the FY13 EXPANDED ALL KIDS eligibility data, we continued to find that eligibility data contained individuals who were enrolled in ALL KIDS more than once. In the FY13 data, we identified 283 individuals

We also compared the FY13 duplicates with the duplicates identified in our FY11 audit and determined that 86 of the duplicates in FY11 were still duplicates in FY13.

We also identified 154 recipients that received 1,966 services totaling \$111,004 after the month of their 19th birthday.

who appeared to be enrolled with more than one identification number. We also compared the FY13 duplicates with the duplicates identified in our FY11 audit and **determined that 86 of the duplicates in FY11 were still duplicates in FY13.**

We also identified 154 recipients that received 1,966 services totaling \$111,004 after the month of their 19th birthday. Therefore, the status of this part of the recommendation is also **repeated** and will be followed up on during the next audit cycle, which covers the period July 1, 2013, to June 30, 2014. (pages 18-19)

Classification of Documented Immigrants

HFS and DHS continue to have problems correctly coding enrollees as documented immigrants and undocumented immigrants. During this FY13 audit, we identified numerous instances where recipients were erroneously coded as undocumented immigrants. Although some of the inaccurate coding may have been due to incorrect electronic matching of social security numbers, we determined a lack of specific policies and procedures for caseworkers is also causing miscoding.

During the FY09 audit, auditors determined that HFS did not accurately classify documented immigrants who receive ALL KIDS services. According to HFS officials, to ensure that federal matching funds were not requested for documented immigrants who were ineligible for matching funds (i.e., those documented immigrants who had not been in the country for five years), those documented immigrants were classified as undocumented immigrants.

During the FY10 audit, HFS officials stated they researched the cases from the FY09 audit and found that a system error was causing the misclassifications. HFS noted the error was corrected on October 29, 2010.

In an updated response to the FY11 audit, HFS noted that the recommendation was partially implemented and new coding now more accurately recorded immigration status. HFS noted that manual reviews were being completed and as of February 1, 2013, \$1.2 million in federal match for the individuals identified by the audit had been received.

During the FY12 audit, HFS indicated that the incorrect classification of immigrants was due to a matching problem with the Social Security Administration. We met with HFS to review the matching process. According to HFS, the matching process is done monthly to continuously improve its data. HFS officials noted that HFS continues to try to clean up problems with social security numbers as they are identified; however, it is hard to do without additional staff.

Although HFS reported the miscoding of undocumented immigrants to be implemented, during our review in FY13, we found the EXPANDED ALL KIDS data continued to have recipients who appear to be incorrectly coded as “undocumented.” Many recipients had verified social security numbers, alien registration numbers, or a combination of both. According to DHS, “verified” means the social security number has been verified through an electronic match with the Social Security Administration. HFS noted the electronic match used to verify the social security number is not an exact match and as a result incorrect matches occur.

For recipients categorized by HFS and DHS as “undocumented,” we determined the FY13 eligibility data contained:

- 8,602 recipients who had social security numbers that were verified, of which 1,201 also had an alien registration number; and
- 193 recipients who had an alien registration number, but did not have a verified social security number.

We reviewed the services provided to these “undocumented” recipients in FY13 and determined the 8,602 recipients had 177,269 services for a total cost of \$6.4 million. If these recipients are classified as undocumented in error, the State is not receiving eligible matching federal funds.

We sampled 10 of the 1,201 undocumented recipients who had both a verified social security number and an alien registration number to determine whether the recipient should have been classified as undocumented. For the recipients sampled, **HFS confirmed that none of the 10 recipients should be undocumented.** As a result, HFS and DHS should ensure that children with verified social security numbers and/or alien registration numbers are coded properly and ensure that federal matching funds are received for these recipients.

During our review, we also identified 1,992 recipients that were classified as both U.S. citizens and undocumented immigrants at some point during FY13. The eligibility data showed that 1,891 of the 1,992 had verified social security numbers.

These 1,992 recipients had eligibility spans that changed from citizens to undocumented immigrants and back to citizens and spans that changed from undocumented immigrants to citizens and then back to undocumented immigrants.

We determined that 1,827 of the 1,992 recipients were changed from undocumented immigrant status to citizen or

documented immigrant status between August 1, 2012, and December 1, 2012. When we questioned HFS about the status changes, HFS officials noted HFS ran a list of recipients coded as undocumented immigrants that also had social security numbers through its electronic citizenship batch process and then had a worker update the citizenship code on the ones that came back with citizenship verified. According to HFS officials, HFS then started getting calls from DHS offices noting “they had something in the physical file indicating that the person was not a citizen or they had previously removed the SSN because it did not belong to the individual.” The correct coding of these recipients is important to ensure the State is receiving all eligible matching federal funds and to ensure that matching funds are not received for ineligible recipients.

During our eligibility testing of 37 new cases, we identified 6 of 16 recipients coded as undocumented that were likely coded as undocumented in error. According to DHS, the recipients tested should have been coded as something other than undocumented. These individuals had visas or social security cards in the files we tested but were labeled in the eligibility system as “Noncitizen child under age 19 who does not have immigration documents,” even though the recipients clearly had immigration documentation.

We reviewed HFS/DHS policies and procedures regarding the classification of citizenship status and found the policies and procedures to be deficient. For example, when an immigrant applies for ALL KIDS and provides documents such as an immigrant or non-immigrant visa or social security card, it is unclear from the policies and procedures what citizenship code should be used.

Although HFS reported that problems related to the coding of undocumented immigrants was corrected on October 29, 2010, we continue to have multiple issues in this area.

Although HFS reported that problems related to the coding of undocumented immigrants were corrected on October 29, 2010, we continue to have multiple issues in this area. Therefore, the status of this recommendation is **repeated** and will be followed up on during the next audit cycle, which covers the period July 1, 2013, to June 30, 2014. Due to the incorrect classification of documented and undocumented immigrants, the enrollee and payment figures in this report are overstated for undocumented immigrants and are understated for documented immigrants. (pages 19-23)

Duplicate Claims

As part of our review of EXPANDED ALL KIDS payments, auditors analyzed FY10 claim data and identified potential duplicate payments. A sample of 20 pairs of potential duplicate claims was chosen because the claims had the same recipient, same service date, same procedure, and both providers were paid the State maximum rate for the procedure.

The judgmental sample of 20 possible duplicate claims was provided to HFS for explanation.

HFS reviewed each of the 20 potential duplicate pairs of claims and determined that 7 were duplicates. Examples of the seven duplicates included: claims submitted by the physician and by the hospital or clinic; and claims submitted by two different physicians. The seven duplicate claims totaled \$1,428.

HFS officials indicated that implementation of this recommendation is still in progress. Since implementation of corrective action was not taken during the FY13 audit period, this recommendation is **repeated**. Detailed testing will be performed in the next audit cycle. (pages 23-24)

Eligibility Documentation

All four of the previous ALL KIDS audits found that, due to the way HFS implemented the Covering ALL KIDS Health Insurance Act, HFS and DHS did not obtain documentation to support eligibility in some instances.

All four of the previous ALL KIDS audits found that, due to the way HFS implemented the Covering ALL KIDS Health Insurance Act, HFS and DHS did not obtain documentation to support eligibility in some instances. This included documentation for residency, birth, and income. As a result, auditors could not determine whether eligibility was determined correctly by HFS and DHS.

On January 25, 2011, Public Act 96-1501 was adopted, which addressed some of this recommendation. The Public Act mandated two changes to eligibility documentation requirements. These changes required one month's worth of income verification for determining eligibility and required verification of Illinois residency. These changes were effective on July 1, 2011.

HFS and DHS attempt to determine eligibility for undocumented immigrants using various data matching techniques to determine residency, income, and immigration/citizen status. During our review of the eligibility and redetermination process for EXPANDED ALL KIDS, we determined that the effectiveness of the matching process is limited when reviewing eligibility for undocumented immigrants. By definition, these children and often their parents are **undocumented**. Electronic matches are conducted based on social security numbers, which this population does not have; therefore, searches based on social security numbers are ineffective. As a result, only actual copies of documents are sufficient to determine residency, income, and immigration/citizenship status for undocumented recipients.

According to both HFS and DHS officials, effective March 14, 2012, an automated Secretary of State clearance was implemented to verify residency. We selected 50 cases identified by DHS that had eligibility beginning in FY13.

HFS and DHS could not locate 10 of the recipient files, and 3 recipient files sampled were not new in FY13. Of the remaining 37 files reviewed, we found that residency was not verified in 6 of the 37 (16%) files tested. Of the 31 recipients verified, 17 had eligibility verified by the Secretary of State residency clearance and 14 were verified by various forms of documentation.

We also found that for 11 of the 37 (30%) recipients, birth or identity documentation such as a birth certificate was not obtained.

Both DHS and HFS provided electronic and paper files for our review. HFS and DHS could not locate 10 of the recipient files, and 3 recipient files sampled were not new in FY13. Of the remaining 37 files reviewed, we found that residency was not verified in 6 of the 37 (16%) files tested. Of the 31 recipients verified, 17 had eligibility verified by the Secretary of State residency clearance and 14 were verified by various forms of documentation. Documentation of residency verification included a social security number match with the Illinois Secretary of State's Office or hard copy documentation such as addresses on bills, Mexican Consular identification cards, driver's licenses, or pay stubs. Each of these documents contained the applicant's Illinois address. We also found that for 11 of the 37 (30%) recipients, birth or identity documentation such as a birth certificate was not obtained. Therefore, this part of the recommendation is **repeated** and will be followed up on in future audits.

In addition, HFS and DHS indicated that the new income requirement was not addressed in FY13. As a result, since HFS and DHS have not implemented the required one month's worth of income requirement, the status of this part of the recommendation is **repeated**. This recommendation will be followed up on during the next audit cycle.

During our FY10 review, auditors found that HFS and DHS did not properly determine whether individuals actually were or were not self-employed. Errors and inconsistencies in determining the income of self-employed individuals could again result in a family paying a higher premium or co-pay, or could result in the State paying for a greater portion of a child's medical services than necessary. According to both HFS and DHS, neither agency has addressed the portion of the recommendation related to applicants who are self-employed; therefore, the status of this part of the recommendation is **repeated**. (pages 24-26)

Transportation Claims

During the review of FY10 EXPANDED ALL KIDS claim data, auditors determined that HFS did not have effective controls over transportation claims. As a result, transportation providers were able to bill multiple trips in a single day for the same recipient. Additionally, controls in the billing system do not contain edits for pick up or drop off times or locations.

In its updated responses, HFS officials indicated that corrective action was taken to address this recommendation prior to the current audit period. This included implementing system edits to allow only one round-trip per day and sending notices to providers reminding them to submit accurate claim details.

In our FY12 audit, we reviewed transportation claims and continued to find duplicate transportation claims and claims with inaccurate details.

During this audit period, FY13, we identified three providers that billed 374 duplicate services totaling \$3,074.

During this audit period, FY13, we identified three providers that billed 374 duplicate services totaling \$3,074. In addition, we found claims with inaccurate details, including claims with no destination times and claims with incomplete origin and destination location details.

Since we continue to find issues with transportation claims, the status of this recommendation is **repeated**. This recommendation will be followed up on during the next audit cycle. (pages 27-28)

Optical Edits

During the review of FY10 EXPANDED ALL KIDS claim data, auditors determined that HFS did not have effective controls over optical claims. HFS allows children to receive as many eyeglasses as needed through the Department of Corrections – Illinois Correctional Industries without prior approval. As a result, optical providers were able to bill for multiple frames and fittings for the same recipient during the year.

Specifically, auditors identified one provider with a large number of recipients receiving multiple frames and fittings during FY10. Additionally, auditors also determined that HFS did not have effective controls in place over the number of eye exams billed for each recipient. Due to this provider's high correlation of customers with multiple pairs of frames received during FY10, auditors reported this provider to HFS and to the HFS-Office of the Inspector general (OIG) for further investigation. We followed up with the OIG in the FY11 audit; the OIG failed to act on our referral and noted it could not find a case on this provider.

During our FY12 review, the OIG had not completed a review, but indicated it was currently auditing the provider that was identified in the FY10 audit.

During our follow up in FY13, HFS noted the provider in question was investigated and "NO criminal fraud activity was found, and the issue with numerous glasses may have been due to quality issues (consistently breaking). Interview of recipients verified that the children were getting numerous pairs of eye glasses because they frequently broke beyond repair. The matter has been referred back to OIG, by law enforcement, for other educational and administrative actions." Since the steps were taken by the OIG to investigate this provider, the status of this recommendation is **implemented**. (page 28)

Guidance Over Preventive Medicine Service Claims

During the review of FY10 EXPANDED ALL KIDS claim data, auditors determined that HFS did not have effective controls over the billing of preventive medicine service claims. The claims are for preventive medicine services for healthy children who are established patients. According to an HFS official, preventive medicine services are used for annual doctor visits and are not to be used numerous times per year. These services generally bill at a higher rate than a problem focused visit. In the FY10 EXPANDED ALL KIDS claim data, we identified 1,013 recipients that received three or more preventive medicine services for healthy children.

As a result, we recommended HFS more clearly define how providers should bill preventive medicine services and should ensure that electronic billing edits exist to identify potential abuse related to the billing of preventive medicine services. HFS accepted this recommendation and provided the following updated response in May 2012: *“A provider notice was sent in May 2011 to remind providers of the proper use and frequency limits of preventative CPT codes. As of April 2011, the Bureau of Claims Processing has also initiated a manual review of applicable preventative CPT codes.”*

During our review of the FY12 data, auditors identified numerous EXPANDED ALL KIDS recipients that received preventive medicine services for healthy children during FY12 that exceeded the benefit limitation. The Handbook for Providers of Healthy Kids Services establishes the number of preventive medicine services allowed per year by age of the recipient. In FY12, we identified 2,255 recipients that received 2,732 preventive medicine services in excess of the limit.

According to HFS, controls were not set up to address this until December 2012. As a result, for our FY13 review, we only looked at preventive services with service dates after November 30, 2012. We continued to find recipients exceeding the benefit limit. As a result, the status of this recommendation is **repeated** and will be followed up on during the next audit cycle, which covers the period July 1, 2013, to June 30, 2014. (page 29)

Inconsistent Dental Policies

During our review of FY10 EXPANDED ALL KIDS dental claims, we found deficiencies in controls related to dental billings. Auditors found instances in FY10 data where dental services were paid for in excess of the allowed benefit schedule. Auditors also found instances where the allowed benefit schedule differed from what officials said was allowed and from what was posted on HFS' ALL KIDS Dental

Services webpage. Additionally, we identified billing outliers within the dental claims. These irregularities were reported to DHS for follow up and/or investigation.

Additionally, in the FY10, FY11, and FY12 audits, we recommended that HFS ensure that dental policies or other information available to the public accurately state frequency of benefits. We found in our FY13 review, the ALL KIDS Dental Services webpage still states that children are limited to a periodic oral exam once every 12 months per dentist, whereas the Dental Office Reference Manual Schedule of Benefits still states that children can receive an oral exam once every 6 months in an office setting and once every 12 months in a school setting. HFS indicated that it was in the process of revising the Dental Office Manual and Administrative Rules to accurately state frequency and benefits. As a result, the status of this part of the recommendation is **repeated** and will be followed up on during the next audit cycle, which covers the period July 1, 2013, to June 30, 2014.

During this audit, we followed up on a provider that we referred to the HFS OIG during our FY10 audit and again in our FY12 audit. In past audits, this provider had a high average cost per client or other outliers. According to the OIG, the provider is currently being investigated by the Illinois State Police Medicaid Fraud Control Unit. (page 30)

RECOMMENDATIONS

The audit report contains 8 recommendations. Five recommendations were specifically for the Department of Healthcare and Family Services. Three recommendations were for both the Department of Healthcare and Family Services and the Department of Human Services. The Department of Healthcare and Family Services and the Department of Human Services agreed with all 8 recommendations. Appendix F to the audit report contains the agency responses.



WILLIAM G. HOLLAND

•• Auditor General

WGH:SAW

AUDITORS ASSIGNED: This Program Audit was performed by the Office of the Auditor General's staff.

