



## Program Audit of the Covering ALL KIDS Health Insurance Program

### Background:

The Covering ALL KIDS Health Insurance Act (Act) (215 ILCS 170/63) directs the Auditor General to audit the EXPANDED ALL KIDS program every three years beginning on or before June 30, 2022 (prior to this date, audits were required annually). The Act requires that the audit include: payments for health services covered by the program; and contracts entered into by the Department of Healthcare and Family Services (HFS) in relation to the program.

The ALL KIDS program is administered by both HFS and the Department of Human Services (DHS). We have released audits annually as required from the first audit covering FY09 to the tenth and last audit covering FY18.

Four of the five recommendations from our FY18 audit are being repeated during this audit period. These four recommendations have been repeated since the first EXPANDED ALL KIDS audit, which covered FY09. (digest iv)

### Key Findings:

- Redeterminations of eligibility were completed late or not completed during July 2018 through March 2020. During FY19, 12,315 of the 25,907 (48%) annual redeterminations due were completed timely, and 6,466 of 25,907 (25%) annual redeterminations due were not completed. During FY20, 14,783 of the 18,841 (78%) annual redeterminations due were completed timely, and 3,559 of 18,841 (19%) annual redeterminations due were not completed. Redeterminations were suspended beginning in March 2020 due to COVID-19. (digest vii)
- Auditors identified 1,328 enrollees that were over the allowable age for enrollment in the ALL KIDS program from July 2018 through March 2020. These enrollees received 11,011 services totaling \$1,192,008 after the month of their 19<sup>th</sup> birthday. Beginning in March 2020, enrollees that were over the allowable age were allowed to maintain coverage because of COVID-19. Auditors also identified duplicate enrollees during FY19 through FY22. (digest viii)
- Auditors determined that there were enrollees that were potentially misclassified as undocumented during FY19 through FY22. For this four year audit period, we identified a total of 5,513 of 111,722 (5%) undocumented enrollees that are potentially misclassified. If these enrollees were classified as undocumented in error, the State did not receive the eligible matching federal rate funds for FY19 through FY22. At a minimum, the State did not collect \$8.2 million in federal reimbursement for this time period. (digest viii)
- Supporting documentation for determinations of eligibility has been an issue identified by auditors in each of the previous 10 EXPANDED ALL KIDS audits, going back to FY09. However, during this audit period we were unable to conduct fieldwork testing in order to follow up on this recommendation because of the allowances made to address COVID-19. This recommendation will be followed up on as part of future State Compliance Examinations. (digest ix)

### Key Recommendations:

The audit report contains four recommendations; one is directed at the Department of Healthcare and Family Services, and three are directed to both the Department of Human Services and the Department of Healthcare and Family Services:

- The Department of Healthcare and Family Services and the Department of Human Services should annually redetermine ALL KIDS eligibility as required by the Covering ALL KIDS Health Insurance Act. (report p. 22)

- The Department of Healthcare and Family Services should have controls in place to ensure that its ALL KIDS eligibility data is accurate and reliable. This includes ensuring that enrollees over 18 years of age are identified as no longer eligible and ensuring that enrollees are not enrolled in ALL KIDS more than once. (report p.24)
- The Department of Healthcare and Family Services and the Department of Human Services should:
  - ensure policies and procedures used to classify enrollees as a documented immigrant or undocumented immigrant contain specific instructions for caseworkers to make accurate eligibility decisions;
  - consider implementing an electronic edit within the Integrated Eligibility System (IES) that prevents enrollees with citizenship or immigration documentation from being classified as undocumented;
  - ensure documented immigrants are classified correctly in its database; and
  - ensure the State receives federal matching funds for all eligible enrollees and ensure that federal matching funds are not received for ineligible enrollees. (report p. 27)
- The Department of Healthcare and Family Services and the Department of Human Services should:
  - ensure all necessary eligibility documentation to support residency and birth/age is received in order to ensure eligibility is determined accurately; and
  - ensure one month’s worth of income verification is reviewed for determining eligibility. (report p.29)

This performance audit was conducted by the staff of the Office of the Auditor General.

## Report Digest

On June 1, 2009, Public Act 95-0985 amended the Covering ALL KIDS Health Insurance Act (Act) (215 ILCS 170/63) directing the Auditor General to annually audit the EXPANDED ALL KIDS program beginning June 30, 2008, and each June 30<sup>th</sup> thereafter. However, Public Act 101-0272, effective on August 9, 2019, amended the Covering ALL KIDS Health Insurance Act and now requires the Auditor General to perform an audit of the Program on or before June 30, 2022, and every 3 years thereafter (rather than annually) (see Appendix A). Because of the timing of when the Public Act was passed, this audit covers a four year period from July 1, 2018, through June 30, 2022. The FY18 EXPANDED ALL KIDS audit contained five recommendations. The fifth recommendation from the FY18 audit, Policies Covering Orthodontic Treatment, was not repeated. Our follow-up for these recommendations is shown in Digest Exhibit 1. (pages 1-2)

### Digest Exhibit 1 ASSESSMENT OF AUDIT ISSUES

Audit Issue Identified	Auditor Assessment
<i>Review timeliness of redeterminations of eligibility.</i>	<ul style="list-style-type: none"> <li>Redeterminations of eligibility were completed late or not completed during July 2018 through March 2020. Redeterminations were suspended beginning in March 2020 due to COVID-19. (pages 21-22)</li> </ul>
<i>Review eligibility data in order to determine if only qualified enrollees were approved for coverage.</i>	<ul style="list-style-type: none"> <li>Auditors identified enrollees that were over the allowable age for enrollment in the ALL KIDS program from July 2018 through March 2020. Beginning in March 2020, enrollees that were over the allowable age were allowed to maintain coverage because of COVID-19. Auditors also identified duplicate enrollees during FY19 through FY22. (pages 23-24)</li> </ul>
<i>Review the data for enrollees classified as undocumented in order to ensure that they are not misclassified.</i>	<ul style="list-style-type: none"> <li>Auditors determined that there were enrollees that were potentially misclassified as undocumented during FY19 through FY22. (pages 25-27)</li> </ul>
<i>Review the supporting documentation required for determining eligibility in order to ensure that all requirements are being met before determining eligibility.</i>	<ul style="list-style-type: none"> <li>Fieldwork testing for this area could not be completed because of the allowances made to address COVID-19. This recommendation will be followed up on as part of future State Compliance Examinations. (pages 28-30)</li> </ul>

Source: OAG assessment of issues within the Covering ALL KIDS Health Insurance Program audit, pursuant to 215 ILCS 170/63.

**Background**

The Covering ALL KIDS Health Insurance Act (Act) (215 ILCS 170/63) directs the Auditor General to audit the EXPANDED ALL KIDS program every three years beginning on or before June 30, 2022 (prior to this date, audits were required annually). The Act requires that the audit include:

- payments for health services covered by the program; and
- contracts entered into by the Department of Healthcare and Family Services (HFS) in relation to the program.

The ALL KIDS program is administered by both HFS and the Department of Human Services (DHS). We have released audits annually as required from the first audit covering FY09 to the tenth and last audit covering FY18. The audits have had as many as 14 recommendations (FY10) and as few as 5 recommendations (FY14 through FY18).

Four of the five recommendations from our FY18 audit are being repeated during this audit period. These four recommendations have been repeated since the first EXPANDED ALL KIDS audit, which covered FY09 (see Digest Exhibit 2). The third audit recommendation, which includes the miscoding of undocumented immigrants, results in the State annually losing federal matching dollars. We estimated that the total reimbursement lost for the FY19 through FY22 audit period was, at a minimum, \$8.2 million dollars. (pages 1-2)

Digest Exhibit 2

**STATUS OF PREVIOUS AUDIT RECOMMENDATIONS**

Recommendation Area	Audits Recommended	Status of the Recommendation as Reported in the FY19-FY22 Audit	Follow-up Conducted
1. Redetermination of ALL KIDS Eligibility	FY09-FY18	Repeated	See note <sup>1</sup>
2. ALL KIDS Data Reliability	FY09-FY18	Repeated	Yes
3. Classification of Documented Immigrants	FY09-FY18	Repeated	Yes
4. Eligibility Documentation	FY09-FY18	Repeated	See note <sup>1</sup>
5. Policies Covering Orthodontic Treatment <sup>1</sup>	FY14-FY18	Implemented	Yes

Note:

<sup>1</sup> Due to the public health emergency, eligibility and redetermination of eligibility criteria were broadened with both State and federal approval. Therefore, testing was not completed in these areas because results would not have been meaningful in comparison to previous audits, or audits performed after an end to the public health emergency has been declared.

Source: FY09-FY18 Program Audit of the Covering ALL KIDS Health Insurance Program.

**Public Health Emergency (State Plan Amendment 20-0004; Public Act 101-0649)**

On March 13, 2020, the President of the United States issued a proclamation that the COVID-19 outbreak in the United States constituted a national emergency. Additionally, on March 13, 2020, the Secretary of the United States Department of Health and Human Services used his authority to waive or modify certain

requirements for programs within the Centers for Medicare and Medicaid Services in order to ensure that sufficient healthcare and services not be interrupted as a result of the COVID-19 outbreak.

On April 24, 2020, HFS received an approval letter from the federal Centers for Medicare and Medicaid Services for State Plan Amendment 20-0004. The letter

#### Public Act 101-0649

Public Act 101-0649 made several allowances for approving coverage, including eliminating resource tests for some eligibility determinations, and suspending redeterminations.

also allowed for a retroactive effective date for the State Plan Amendment beginning on March 1, 2020. The approved State Plan Amendment allowed for less restrictive eligibility requirements in order to address the COVID-19 outbreak.

On July 7, 2020, Public Act 101-0649 was enacted by the Illinois General Assembly. The Public Act allowed HFS to take necessary measures in order to

allow for coverage during the COVID-19 public health emergency, and extend those measures for up to 12 months after the period ends.

Both State Plan Amendment 20-0004 and Public Act 101-0649 provide a wide range of allowances for changing the way ALL KIDS is administered and for approving coverage as a result of the COVID-19 public health emergency. These allowances include, but are not limited to:

- accepting an applicant's or recipient's attestation of income, incurred medical expenses, residency, and insured status **when electronic verification is not available**;
- elimination of resource tests for some eligibility determinations;
- suspending redeterminations;
- suspending changes that would adversely affect an applicant's or recipient's eligibility;
- phone or verbal approval by an applicant to submit an application in lieu of applicant signature;
- allowing adult presumptive eligibility;
- allowing presumptive eligibility for children, pregnant women, and adults as often as twice per calendar year;
- paying for additional services delivered by telehealth; and
- suspending premium and co-payment requirements. (pages 4-5)

## ALL KIDS Program Inoperative as of July 1, 2022 (Public Act 102-0043)

On June 6, 2021, Public Act 102-0043 was enacted to amend the Covering ALL KIDS Health Insurance Act by adding 215 ILCS 170/6. This section stated the Covering ALL KIDS Health Insurance Act was to be **inoperative** if HFS:

- received federal approval to make children younger than 19 who had countable income at or below 313% of the federal poverty level eligible for medical assistance under Article V of the Illinois Public Aid Code; and
- transitioned the children eligible for health care benefits under the Covering ALL KIDS Health Insurance Act into the Medical Assistance Program established under Article V of the Illinois Public Aid Code, making the ALL KIDS program a “**Medicaid Expansion Program.**”

### Public Act 102-0043

Public Act 102-0043, effective July 1, 2022, renders the Covering ALL KIDS Health Insurance Act inoperative when:

- HFS received federal approval to make children with countable income at or below 313% of the federal poverty level eligible for medical assistance, and
- HFS transitioned ALL KIDS enrollees into the Medical Assistance Program after receiving federal approval for the transfer.

On September 9, 2021, HFS submitted to the Centers for Medicare and Medicaid Services a package for amending the State’s Medicaid Plan. The updated State Medicaid Plan established the income standard for the Optional Targeted Low Income Children eligibility group as 313% of the federal poverty level with the explicit goal of implementing Illinois Public Act 102-0043. The effect of the new federal poverty level threshold is the All Kids Share and All Kids Premium Level 1 enrollees now have the same income threshold as the All Kids Assist enrollees. All Kids Premium Level 2 enrollees were to be moved into managed care. **This amendment was federally approved on June 24, 2022, and effective on July 1, 2022.** (pages 5-6)

## Public Aid Code Does Not Contain Statutory Audit Authority for this Population

As of July 1, 2022, the Covering ALL KIDS Health Insurance Act was made inoperative and the children that were currently enrolled were transitioned into the Medical Assistance Program under Article V of the Public Aid Code. The Public Aid Code does not contain a section comparable to 215 ILCS 170/63 in the Covering ALL KIDS Health Insurance Act, which requires the Auditor General to conduct a performance audit of the program. Because these enrollees are now covered by the existing Medical Assistance Program under Article V of the Public Aid Code, testing on these populations will occur during future State Compliance Examinations. (page 7)

## Impact of Public Health Emergency Changes on Fieldwork Testing

For audit periods that span multiple fiscal years, the typical process is to report on the data from each year, and conduct fieldwork testing on the most recent fiscal year in order to provide the most current and relevant data to the end users of the audit. However, during the most recent fiscal year during the audit period, FY22, several allowances had been made in order to determine eligibility and redeterminations. Because of these changes, the results of fieldwork testing

would not be comparable to previous audits. If fieldwork testing was conducted on the fiscal years prior to the allowances granted by Public Act 101-0649, July 2018 through March 2020, the results would be anywhere from three to approximately five years old, and likely not a reflection of the current state of the processes in place. (pages 6-7)

**Potential Data Integrity Issues**

The Integrated Eligibility System (IES) is a web-based eligibility system that caseworkers have been using since October 2013 to determine initial eligibility at intake for programs offered through DHS including the ALL KIDS program. The Office of the Auditor General has had several findings within the FY19, FY20, and FY21 Financial Audits and Compliance Examinations related to data integrity issues with IES. In all three fiscal years, there is a finding related to inadequate internal controls over changes to IES. Additionally, inadequate controls over the eligibility and redetermination process were identified in the FY19 and FY20 audits. There were other findings as well, such as inadequate disaster recovery controls over IES, and an insufficient and inadequate agreement with the Department of Innovation and Technology for IES. (pages 9-11)

**Redetermination of Eligibility**

Timely completion of annual redeterminations has been an issue identified in each of the previous 10 EXPANDED ALL KIDS audits, going back to FY09. As shown in Digest Exhibit 3, during FY19, 12,315 of the 25,907 (48%) annual redeterminations due were completed timely, and an additional 3,455 (13%) were completed within three to six months of the due date. There were 3,671 (14%) that were completed more than six months after the due date and 6,466 (25%) that were not completed. During FY20, 14,783 of the 18,841 (78%) annual redeterminations due were completed timely, and an additional 452 (2%) were completed within three to six months of the due date. There were 47 (0.2%) that were completed more than six months after the due date and 3,559 (19%) that were not completed. As part of the response to COVID-19, DHS and HFS suspended redeterminations as of March 1, 2020. Therefore, we were only able to review the redeterminations that were due between July1, 2018, and April 30, 2020. (pages 21-22)

Digest Exhibit 3  
**ANNUAL ELIGIBILITY REDETERMINATION TIMELINESS**  
 For FY19 and FY20

Fiscal Year	On Time	3-6 Months of Due Date	>6 Months of Due Date	Not Completed	Total Due <sup>1</sup>
2019	12,315 (48%)	3,455 (13%)	3,671 (14%)	6,466 (25%)	25,907 (100%)
2020	14,783 (78%)	452 (2%)	47 (0.2%)	3,559 (19%)	18,841 (100%)

Note:  
<sup>1</sup> Percent totals may not add due to rounding.

Source: OAG analysis of DHS and HFS data.

## ALL KIDS Eligibility Data

Enrollees receiving services after the month of their 19<sup>th</sup> birthday and enrollees that have multiple unique identification numbers have been issues identified in each of the previous 10 EXPANDED ALL KIDS audits, going back to FY09.

During our review of the FY19 through FY20 EXPANDED ALL KIDS eligibility data, we continued to find eligibility data contained individuals who were over the age of 18 and who were enrolled in ALL KIDS more than once.

We identified:

- In FY19 – 702 enrollees that received 4,904 services totaling \$528,553 after the month of their 19<sup>th</sup> birthday.
- In FY20 – 626 enrollees that received 6,107 services totaling \$663,455 after the month of their 19<sup>th</sup> birthday.

We also identified:

- In FY19 – 191 enrollees with duplicate entries.
- In FY20 – 202 enrollees with duplicate entries.
- In FY21 – 112 enrollees with duplicate entries.
- In FY22 – 116 enrollees with duplicate entries.

If enrollees maintain eligibility after reaching the age of 19, or if enrollees have eligibility under more than one recipient identification number, the State may provide services for non-eligible enrollees. Additionally, having enrollees that are enrolled more than once shows a lack of internal controls, and increases the risk for inaccurate reporting and claims processing. (pages 23-24)

## Classification of Documented Immigrants

The misclassification of the immigrant status of EXPANDED ALL KIDS

### Loss of Federal Matching Funds

We found in past audits, and continue to find, EXPANDED ALL KIDS recipients coded as undocumented that should not be coded as undocumented. As a result, the State has lost federal matching Medicaid funds.

enrollees has been an issue in all 10 of the previous EXPANDED ALL KIDS audits, going back to FY09. In each of these audits, and in this audit, which covers FY19 through FY22, we have found documented immigrants, or citizens, have been incorrectly classified as undocumented. For this four year audit period, we identified a total of 5,513 of 111,722 (5%) undocumented enrollees that are potentially misclassified. If these enrollees were classified as undocumented in error, the State did not receive the

eligible matching federal rate funds for FY19 through FY22. At a minimum, the State did not collect \$8.2 million in federal reimbursement for this time period. Digest Exhibit 4 displays the results of our analysis by fiscal year. (pages 25-27)



Digest Exhibit 4

**ENROLLEES CLASSIFIED AS UNDOCUMENTED AND ALSO CLASSIFIED AS A U.S. CITIZEN OR ASSIGNED AN ALIEN REGISTRATION NUMBER**

For FY19 – FY22

	FY19	FY20	FY21	FY22
Enrollees at any point during FY	100,711	109,884	96,727	108,642
Undocumented Enrollees	27,269	25,547	25,317	33,589
- Classified as U.S. Citizen or had an Alien Registration Number	1,778	1,327	1,117	1,291
- % Classified as U.S. Citizen or had an Alien Registration Number	6.5%	5.2%	4.4%	3.8%

Source: ALL KIDS enrollee data provided by HFS.

**Eligibility Documentation**

Supporting documentation for determinations of eligibility has been an issue identified by auditors in each of the previous 10 EXPANDED ALL KIDS audits, going back to FY09. However, during this audit period we were unable to conduct fieldwork testing in order to follow up on this recommendation.

On July 7, 2020, Illinois Public Act 101-0649 was passed, effective immediately (retroactive to March 1, 2020), that permitted HFS to take necessary actions to address the COVID-19 public health emergency. Several allowances were made in order to ensure adequate coverage during the public health emergency, resulting in less stringent requirements for eligibility. Additionally, HFS received federal approval to delay redeterminations in order to be compliant with the Families First Coronavirus Response Act. If fieldwork testing for eligibility or redeterminations was conducted on the fiscal years prior to the allowances granted by Public Act 101-0649, July 2018 through March 2020, the results would be anywhere from three to approximately five years old, and likely not a reflection of the current state of the processes in place. Because we were unable to follow up on this recommendation, this finding is repeated, and will be followed up on as part of future State Compliance Examinations. (pages 28-30)

**Policies Covering Orthodontic Treatment**

During the FY17 EXPANDED ALL KIDS audit, we found that the Dental Policy Review Committee membership requirements were not met and there was an unbalanced representation of committee members. We also found that HFS was not effectively monitoring the EXPANDED ALL KIDS enrollees receiving care under the MCO part of the program and ensuring the State’s dental administrator subcontractors were following the same requirements in the new Administrative Code and using the scoring tool for these enrollees. HFS did not have sufficient time to address this updated recommendation in FY18 and the updates made by HFS were not made until FY19; therefore, we followed up on the FY17 recommendation during this audit period.

During this audit period, FY19 through FY22, we found that the Dental Policy Review Committee membership requirements were met, and every meeting held

also had a quorum. The committee failed to meet quarterly as required during Calendar Years 2019 and 2020; however, for Calendar Years 2021 and 2022, the committee held quarterly meetings and met this requirement.

During the FY17 audit, we determined HFS was not effectively monitoring the EXPANDED ALL KIDS enrollees receiving orthodontia care under the MCO part of the program. As a result, we recommended that HFS needed to more effectively monitor the EXPANDED ALL KIDS orthodontic enrollees receiving care under the MCO part of the program and ensure that these enrollees were receiving the same access to services as the enrollees receiving care under the fee-for-service (FFS) part of the program. During this audit period, we found the ratio of initial placements compared to current enrollees is consistent for both the MCO and FFS portions of the program. This illustrates that the MCOs and FFS both appear to be utilizing the scoring tool used for orthodontics similarly. Therefore, the recommendation to ensure the enrollees under the MCO portion of the program are receiving the same access to orthodontic services as the enrollees under the FFS portion of the program is not repeated. (pages 31-33)

## Audit Recommendations

The audit report contains four recommendations; one is directed at the Department of Healthcare and Family Services and three are directed to both the Department of Human Services and the Department of Healthcare and Family Services. The Departments agreed with the recommendations. The complete responses from the Departments are included in this report as Appendix E.

This performance audit was conducted by the staff of the Office of the Auditor General.

**SIGNED ORIGINAL ON FILE**

JOE BUTCHER  
Division Director

This report is transmitted in accordance with Sections 3-14 and 3-15 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

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