



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

State Compliance Examination  
 For the Two Years Ended June 30, 2021

Release Date: July 6, 2022

FINDINGS THIS AUDIT: 27				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
<b>Category 1:</b>	<b>3</b>	<b>8</b>	<b>11</b>	2020	<b>2</b>	<b>8</b>	
<b>Category 2:</b>	<b>6</b>	<b>10</b>	<b>16</b>	2019	<b>3, 4</b>	<b>10, 16, 17, 18</b>	
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2018	<b>5, 6</b>		
<b>TOTAL</b>	<b>9</b>	<b>18</b>	<b>27</b>	2017	<b>1</b>	<b>11, 14, 15, 26</b>	
				2015	<b>7</b>	<b>13</b>	
<b>FINDINGS LAST AUDIT: 26</b>				2005	<b>12</b>		

**INTRODUCTION**

The digest covers our Compliance Examination of the Department for the two years ended June 30, 2021. A separate Financial Audit as of and for the year ended June 30, 2021, was previously released on June 22, 2022. In total, this report contains 27 findings, 8 of which were reported in the Financial Audit.

**SYNOPSIS**

- **(21-09)** The Department of Healthcare and Family Services did not perform the duties required by the Illinois Health Information Exchange and Technology Act (Act).
- **(21-20)** The Department of Healthcare and Family Services did not perform parity compliance audits of managed care organizations (MCOs).

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**NONCOMPLIANCE WITH THE ILLINOIS HEALTH  
INFORMATION EXCHANGE AND TECHNOLOGY  
ACT**

The Department of Healthcare and Family Services (Department) did not perform the duties required by the Illinois Health Information Exchange and Technology Act (Act).

**Department decided not to operate  
the ILHIE**

During our testing, we noted Department management made a determination the Department would not operate the Illinois Health Information Exchange (ILHIE).

As of September 30, 2017, the Illinois Health Information Exchange Authority (Authority) completed its wind down through processing its final transactions with the Health Information Exchange Fund as part of its transfer to the Department. To formalize this transfer, the Act was amended on July 7, 2020, and all duties previously assigned to the Authority are now the responsibility of the Illinois Health Information Exchange Office (Office) created within the Department. As such, it is now the responsibility of the Office to promote, develop, and sustain a health information exchange at the State level (20 ILCS 3860/10), the Office is mandated to:

- Establish the ILHIE, to promote and facilitate the sharing of health information among health care providers within Illinois and in other states. ILHIE shall be an entity operated by the Office to service as a State-level electronic medical records exchange providing for the transfer of health information, medical records, and other health data in a secure environment for the benefit of patient care, patient safety, reduction of duplicate medical tests, reduction of administrative costs, and any other benefits deemed appropriate by the Office.
- Foster the widespread adoption of electronic health records and participation in the ILHIE. (Finding 9, page 34)

We recommended the Department perform its duties under the Act, or seek a legislative remedy to eliminate the Office and its duties.

**Department accepted the  
recommendation**

The Department accepted the recommendation and stated it will be seeking a legislative remedy.

## **FAILURE TO PERFORM PARITY COMPLIANCE AUDITS OF MANAGED CARE ORGANIZATIONS**

The Department did not perform parity compliance audits of managed care organizations (MCOs).

### **Parity compliance audits of MCOs not performed**

### **As a result, findings and conclusions not made publically available**

During testing, we noted the Department has not performed parity compliance audits of MCOs and, therefore, has not made the findings and conclusions of these audits available to the public on the Department's website. This mandate was added to the Illinois Insurance Code (Code) by Public Act 100-1024, which was effective on January 1, 2019.

The Code (215 ILCS 5/370c(d)(3)) requires the Department to perform parity compliance audits of individual and group plans and policies, including, but not limited to, reviews of:

- a) nonquantitative treatment limitations, including, but not limited to, prior authorization requirements, concurrent review, retrospective review, step therapy, network admission standards, reimbursement rates, and geographic restrictions;
- b) denials of authorization, payment, and coverage; and
- c) other specific criteria as may be determined by the Department.

Further, the Code states the findings and the conclusions of the parity compliance market conduct examinations and audits shall be made public. (Finding 20, pages 51-52)

We recommended the Department perform parity compliance audits of MCOs and make the findings and conclusions of those audits available to the public on the Department's website. In addition, we recommend the Department should ensure, when it requires a contractor to assist it in meeting statutory mandates, the contractor is in place with a fully executed written agreement to comply with the mandate in a timely manner.

### **Department accepted the recommendation**

The Department accepted the recommendation and stated the Department is in the process of performing the required parity compliance audit of the MCOs.

## **OTHER FINDINGS**

The remaining findings are reportedly being given attention by Department personnel. We will review the Department's progress towards the implementation of our recommendations in our next State compliance examination.

**AUDITOR'S OPINION**

The financial audit report was previously released. The auditors stated the financial statements of the Department as of and for the year ended June 30, 2021, are fairly stated in all material respects.

**ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2020, as required by the Illinois State Auditing Act. The accountants qualified their report on State Compliance for Findings 2021-001 through 2021-007, 2021-012, 2021-020, 2021-023, and 2021-027. Except for the noncompliance described in these findings, the accountants state the Department complied, in all material respects, with the requirements described in the report.

The financial audit and this compliance examination was performed by Sikich LLP.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

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

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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