



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, 2012

Release Date: December 2013

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 **fourth annual audit** and covers FY12. 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).

This FY12 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 FY12, 92,879 children were enrolled in the EXPANDED ALL KIDS program.
- Total claims paid in FY12 for the EXPANDED ALL KIDS enrollees were \$77.2 million.
- FY12 ALL KIDS claim data included 193 recipients who received 1,802 services totaling \$80,752 after the month of their 19th birthday, when their eligibility ended. Additionally, the data included 246 individuals who appeared to be enrolled with more than one identification number.
- Our FY12 review indicated a continued problem with HFS incorrectly categorizing documented immigrants as undocumented in its data. However, 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 our previous audit had been received.
- While HFS and DHS took action to address the previous recommendations, many of these actions did not occur within this audit period (FY12). We determined that one recommendation was implemented and 10 were repeated.

Future audit populations will be decreased due to the passage of PA 96-1501, which made children whose families' household income is above 300 percent of the federal poverty level (FPL) ineligible for EXPANDED ALL KIDS.

In June 2013, Illinois was retroactively approved back to July 1, 2008, to receive federal reimbursement under Title XXI of the Social Security Act for citizens and documented immigrant children in EXPANDED ALL KIDS Premium Level 2.

Due to the limited time for HFS and DHS to implement prior audit recommendations, the General Assembly may wish to consider reducing the frequency of the EXPANDED ALL KIDS audit period from annually to at least once every three years or on a more frequent basis if determined necessary by the Auditor General.

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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 (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 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.**

The children who were added as a part of the expansion were not eligible for federal reimbursement and thus are funded entirely by the State.

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." The children who were added as a part of the expansion were not eligible for federal reimbursement and thus are funded entirely by the State.

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 fourth audit (FY12). 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 annual audit (FY11) was released in October 2012 and contained 11 recommendations.

This FY12 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. Many of the previous audit recommendations that were addressed by HFS and DHS were not addressed until FY13. Since this annual audit's time period is FY12, we will review these changes in future audits. (pages 2-5)

Recent Changes to the Covering ALL KIDS Health Insurance Program

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

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

Illinois was approved to receive reimbursement for children in a family with income up to 300 percent of the FPL (Premium Level 2) under Title XXI of the Social Security Act.

Two events in recent years will have 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 is above 300 percent of the federal poverty level (FPL) are no longer eligible. Children enrolled as of July 1, 2011, were able to remain enrolled in the program until June 30, 2012. Eliminating eligibility for children in families with household income above 300 percent of the FPL will reduce the number of Program participants and expenditures to be audited.

The second 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 (SCHIP). HFS applied for this reimbursement on March 31, 2009. HFS officials noted that the only State law that provides coverage to children in families with income between 200 and 300 percent of the FPL is the Covering ALL KIDS Health Insurance Act (All Kids Premium Level 2).

Our prior EXPANDED ALL KIDS audits have only included children whose medical care was totally State-funded. The federal government granted the State retroactive reimbursement for this population (children from families with income between 200 and 300 percent of FPL) dating back to July 1, 2008. As of September 2013, HFS officials indicated they are in the exploratory phase as to their approach for recovering these federal matching funds. We will follow up on HFS's efforts to obtain retroactive reimbursement as part of the FY13 audit. (page 12)

Matter for Consideration by the Illinois General Assembly

HFS and DHS accepted all recommendations from our past ALL KIDS audit and have been working to implement them. The Covering ALL KIDS Health Insurance Act requires the Auditor General to conduct an **annual** audit of the EXPANDED ALL KIDS program. However, with an annual audit, HFS and DHS have had limited time to implement the recommendations before the next audit period began.

The General Assembly may wish to consider reducing the frequency of the EXPANDED ALL KIDS audit period from annually to at least once every three years or on a more frequent basis if determined necessary by the Auditor General.

Due to the limited time for HFS and DHS to implement prior audit recommendations before the next audit begins, and the decline in EXPANDED ALL KIDS participants (discussed above), the General Assembly may wish to consider reducing the frequency of the EXPANDED ALL KIDS audit period from annually to at least once every three years or on a more frequent basis if determined necessary by the Auditor General. (pages 13-14)

ALL KIDS Program

In FY12, Illinois' ALL KIDS program as a whole had almost 1.9 million enrollees and HFS paid \$2.6 billion in claims. In FY12, enrollees that were eligible at any point in the year as a result of the July 1, 2006 ALL KIDS expansion totaled 92,879. As seen in Digest Exhibit 1, on June 30, 2012, there were 67,616 enrollees as a result of the expansion of which 47,282 (70%) were classified as undocumented immigrants in the HFS data. (pages 6-7)

Digest Exhibit 1
EXPANDED ALL KIDS ENROLLMENT BY PLAN ^{2, 3}
As of June 30

EXPANDED ALL KIDS Plan	Citizens/ Documented Immigrants		Undocumented Immigrants	
	FY11	FY12	FY11	FY12
Assist <134% FPL/\$30,656.50 ¹	n/a	n/a	48,481	44,623
Share 134%-150% FPL/\$34,575 ¹	n/a	n/a	1,472	1,323
Premium Level 1 151%-200% FPL/\$46,100 ¹	n/a	n/a	1,253	1,006
Premium Level 2 201%-300% FPL/\$69,150 ¹	18,318	18,402	382	301
Premium Level 3 301%-400% FPL/\$92,200 ¹	4,028	1,469	59	20
Premium Level 4 401%-500% FPL/\$115,250 ¹	765	366	14	5
Premium Level 5 501%-600% FPL/\$138,300 ¹	134	82	6	4
Premium Level 6 601%-700% FPL/\$161,350 ¹	35	8	2	0
Premium Level 7 701%-800% FPL/\$184,400 ¹	13	2	0	0
Premium Level 8 >800% FPL/No limit ¹	13	5	0	0
Totals	23,306	20,334	51,669	47,282

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 FY12.

² Enrollment is the total number of enrollees that were eligible on June 30 of 2011 and 2012. There were 97,030 enrollees eligible at some point during FY11 and 92,879 enrollees eligible at some point during FY12.

³ Due to HFS incorrectly categorizing some documented immigrants as undocumented immigrants, the enrollment for FY12 undocumented immigrants is overstated, while the enrollment for documented immigrants is understated.

Source: ALL KIDS enrollment data provided by HFS.

Payments for ALL KIDS Services

Payments for services increased to \$84,199,508 in FY10 and to \$96,556,069 in FY11. In FY12, the total payments for services dropped to \$77,174,711. We questioned HFS about the large decrease in payments. HFS indicated that the decrease in payments was due to the payment cycle and not a decrease in services.

According to data provided by HFS, in FY09 the payments for services that were added as a result of the July 1, 2006 expansion totaled \$79,068,335. The payments for services increased to \$84,199,508 in FY10 and to \$96,556,069 in FY11. In FY12, the total payments for services dropped to \$77,174,711. **We questioned HFS about the large decrease in payments. HFS indicated that the decrease in payments was due to the payment cycle and not a decrease in services.** The majority of the payments for services were for undocumented immigrants. Payments for undocumented immigrants totaled \$54.9 million in FY09, \$59.2 million in FY10, \$58.8 million in FY11, and \$48.3 million in FY12.

Digest Exhibit 2 breaks out the payments for services by whether the child had documentation for citizenship/immigration status or whether the child was undocumented for both FY11 and FY12. However, due to HFS incorrectly categorizing some documented immigrants as undocumented immigrants, the payments for undocumented immigrants are overstated, while the payments for documented immigrants are understated. (pages 7-8)

<p style="text-align: center;">Digest Exhibit 2 PAYMENTS FOR EXPANDED ALL KIDS SERVICES BY ALL KIDS PLAN ^{1, 3} Fiscal Years 2011 and 2012</p>						
EXPANDED ALL KIDS Plan	Citizens/Documented Immigrants		Undocumented Immigrants		Totals	
	FY11	FY12 ⁴	FY11	FY12 ⁴	FY11	FY12 ⁴
Assist <134% FPL/\$30,656.50 ²	n/a	n/a	\$55,291,285	\$45,768,372	\$55,291,285	\$45,768,372
Share 134%-150% FPL/\$34,575 ²	n/a	n/a	\$1,514,515	\$1,123,934	\$1,514,515	\$1,123,934
Premium Level 1 151%-200% FPL/\$46,100 ²	n/a	n/a	\$1,465,795	\$1,015,019	\$1,465,795	\$1,015,019
Premium Level 2⁵ 201%-300% FPL/\$69,150 ²	\$26,632,165 ⁵	\$21,752,687 ⁵	\$328,189	\$315,323	\$26,960,354	\$22,068,010
Premium Level 3 301%-400% FPL/\$92,200 ²	\$6,343,863	\$3,653,924	\$110,717	\$82,692	\$6,454,580	\$3,736,616
Premium Level 4 401%-500% FPL/\$115,250 ²	\$2,722,244	\$1,976,315	\$12,001	\$9,662	\$2,734,246	\$1,985,977
Premium Level 5 501%-600% FPL/\$138,300 ²	\$1,088,856	\$1,155,549	\$41,848	\$26,368	\$1,130,704	\$1,181,917
Premium Level 6 601%-700% FPL/\$161,350 ²	\$776,095	\$214,265	\$1,439	\$1,067	\$777,535	\$215,333
Premium Level 7 701%-800% FPL/\$184,400 ²	\$63,510	\$13,722	\$0	\$0	\$63,510	\$13,722
Premium Level 8 >800% FPL/No limit ²	\$163,543	\$65,811	\$2	\$0	\$163,545	\$65,811
Totals	\$37,790,277	\$28,832,273	\$58,765,792	\$48,342,438	\$96,556,069	\$77,174,711

Notes:

¹ Due to HFS incorrectly categorizing some documented immigrants as undocumented immigrants, the costs for undocumented immigrants are overstated, while the costs for documented immigrants are understated.

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 FY12.

³ Totals may not add due to rounding.

⁴ According to HFS the decrease in FY12 payments was due to the payment cycle and not a decrease in services.

⁵ HFS was notified on June 4, 2013, by the Centers for Medicare & Medicaid Services, that Illinois children up to 300% 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 claim data provided by HFS.

Cost for Services Provided in FY12

As noted above, the decrease in payments from \$96.6 million in FY11 to \$77.2 million in FY12 was due to the payment cycle and not a decrease in services. This means that the services may have been provided in FY12, but were not paid until FY13.

To determine the actual cost for services occurring during the fiscal year for the ALL KIDS program, we requested the cost for services that were provided in each of the last three fiscal years from HFS. We determined that the cost for services provided during the fiscal year increased from \$89 million in FY10, to \$89.3 million in FY11, and decreased slightly to \$87.8 million in FY12. (page 9)

Payments vs. Premiums Collected

In FY11, HFS received approximately \$10.8 million in premiums from enrollees, thus making the net cost of the ALL KIDS expansion approximately \$85.8 million. In FY12, based on a report provided by HFS, HFS received almost \$10.5 million in premiums, thereby decreasing the net cost of the ALL KIDS expansion to almost \$66.7 million. We requested the amount of unpaid premiums for EXPANDED ALL KIDS in FY12 from HFS. HFS officials indicated the accounts receivable system tracks unpaid premiums by family and not by individual. As a result, since families could have family members in various medical programs, outstanding premium payments for a specific program such as EXPANDED ALL KIDS could not be provided. Digest Exhibit 3 shows both FY11 and FY12 payments and premiums collected from the EXPANDED ALL KIDS program. (page 11)

Digest Exhibit 3
EXPANDED ALL KIDS PAYMENTS VS. PREMIUMS¹
 Fiscal Years 2011 and 2012

EXPANDED ALL KIDS Plan	FY11 Payments	FY12 Payments ³	FY11 Premiums Collected	FY12 Premiums Collected	FY11 Net Cost	FY12 Net Cost
Assist <134% FPL/\$30,656.50 ²	\$55,291,285	\$45,768,372	n/a	n/a	\$55,291,285	\$45,768,372
Share 134%-150% FPL/\$34,575 ²	\$1,514,515	\$1,123,934	\$835	\$75	\$1,513,680	\$1,123,859
Premium Level 1 151%-200% FPL/\$46,100 ²	\$1,465,795	\$1,015,019	\$206,970	\$157,163	\$1,258,825	\$857,856
Premium Level 2⁴ 201%-300% FPL/\$69,150 ²	\$26,960,354	\$22,068,010	\$7,402,166	\$8,109,776	\$19,558,188	\$13,958,234
Premium Level 3 301%-400% FPL/\$92,200 ²	\$6,454,580	\$3,736,616	\$2,175,092	\$1,447,912	\$4,279,488	\$2,288,704
Premium Level 4 401%-500% FPL/\$115,250 ²	\$2,734,246	\$1,985,977	\$674,995	\$517,210	\$2,059,251	\$1,468,767
Premium Level 5 501%-600% FPL/\$138,300 ²	\$1,130,704	\$1,181,917	\$245,505	\$197,661	\$885,200	\$984,256
Premium Level 6 601%-700% FPL/\$161,350 ²	\$777,535	\$215,333	\$52,715	\$29,280	\$724,820	\$186,053
Premium Level 7 701%-800% FPL/\$184,400 ²	\$63,510	\$13,722	\$16,210	\$11,180	\$47,300	\$2,542
Premium Level 8 >800% FPL/No limit ²	\$163,545	\$65,811	\$30,755	\$11,440	\$132,790	\$54,371
Totals	\$96,556,069	\$77,174,711	\$10,805,242	\$10,481,697	\$85,750,827	\$66,693,014

Notes:

¹ Totals may not add due to rounding.

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 FY12.

³ According to HFS the decrease in FY12 payments was due to the payment cycle and not a decrease in services.

⁴ HFS was notified on June 4, 2013, by the Centers for Medicare & Medicaid Services, that Illinois citizen and documented immigrant children up to 300% 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 claim and premium collection data provided by HFS.

Follow up on FY11 Recommendations

While HFS and DHS took some action to address the previous recommendations, many of these actions did not occur within this audit period (FY12).

While HFS and DHS took some action to address the previous recommendations, many of these actions did not occur within this audit period (FY12). As a result, many recommendations are repeated in this audit. We determined that one recommendation was implemented and 10 were repeated. We will continue to follow up on the actions taken after our period during our FY13 annual audit. (pages 2-3)

Redetermination of Eligibility

In the FY09 audit, 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. For ALL KIDS enrollees that fall in the Assist, Share, and Premium Level 1 categories (e.g., at or below 200 percent of the federal poverty level), an annual “passive” redetermination was used by HFS. Prior to the end of the eligibility period, HFS sent each family an annual renewal

notice. The renewal notice listed the eligibility information for the family and instructed the family to return the form **only if** any of the information had changed. If there were no changes, the family was instructed to do nothing. In contrast, to continue coverage, enrollees in Premium Levels 2 through 8 were required to send in the annual redetermination form, which included updated eligibility information.

This recommendation to adequately implement eligibility redeterminations was repeated in our FY10 and FY11 audits. Effective October 1, 2011, Public Act 96-1501 required verification of one month's income for determining continued eligibility (instead of passive redetermination). According to HFS officials, the passive renewal process ended in July 2012, but corrective action did not begin until January 2013. Actions taken to implement this recommendation were included in the contract with a third party vendor, which began performing electronic eligibility verifications after this audit period. Since corrective action was not taken during FY12, this recommendation is **repeated** and will be followed up on during the next audit cycle, which covers the period July 1, 2012, to June 30, 2013. (pages 15-16)

Income of Stepparent

During the review of HFS and DHS policies during the FY09 audit, auditors determined that DHS did not calculate family income for EXPANDED ALL KIDS eligibility as required by the Administrative Code. The Administrative Code [89 Ill. Adm. Code 123.110] defines family as the child applying for the program and individuals who live with the child, which includes "the spouse of the child's parent" (i.e., the child's stepparent). Therefore, the income calculation for any child receiving services under the Covering ALL KIDS Health Insurance Act (i.e., those children whose services are totally State funded) should include the income of the stepparent.

HFS and DHS officials indicated that the policy has been updated and now requires stepparent income to be included when determining eligibility. In this FY12 audit, we reviewed 16 eligibility files and determined that in all 8 of the cases with a stepparent in the household, the income of the stepparent was included when determining eligibility. Therefore, this recommendation is **implemented**. (pages 16-17)

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 cancelled.

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. Consequently, corrective action taken by HFS and DHS staff did not occur until FY13 and the effects of corrective action would not be reflected in the FY12 eligibility data. Therefore, this recommendation is **repeated** and testing will be performed during the next audit cycle. (pages 17-18)

ALL KIDS Data Reliability

Auditors identified five specific issues associated with the FY09, FY10, and FY11 data provided by HFS. These five areas were: 1) eligibility data included individuals that were older than 18 years of age; 2) eligibility data included duplicate enrollees with two different recipient identification numbers, and/or different birth dates or addresses; 3) eligibility data included end dates that were not accurate; 4) irregularities between claims and eligibility data; and 5) some documented immigrants were categorized as undocumented immigrants. The number of undocumented immigrants as well as the cost associated with them in the EXPANDED ALL KIDS program were overstated due to the incorrect categorizing of documented immigrants.

In the FY12 data, we identified 246 individuals who appeared to be enrolled with more than one identification number. We also identified 193 recipients that received 1,802 services totaling \$80,752 after the month of their 19th birthday.

We continued to find that eligibility data contained individuals who were enrolled in ALL KIDS more than once. In the FY12 data, we identified 246 individuals who appeared to be enrolled with more than one identification number. We also identified 193 recipients that received 1,802 services totaling \$80,752 after the month of their 19th birthday. Therefore, 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, 2012, to June 30, 2013. (pages 18-19)

Classification of Documented Immigrants

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.

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.

In an updated response to the FY11 audit, HFS noted that the recommendation was partially implemented and new coding now more accurately records 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.

HFS also indicated that the incorrect classification of immigrants was due to a matching problem with the Social Security Administration. According to HFS, the matching process is done monthly to continuously improve its data. HFS officials noted changes are made when they identify an undocumented recipient with a social security number that is matched incorrectly. Since this process is on-going, the status of this recommendation is **repeated** and will be followed up on during the next audit cycle. (pages 19-20)

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 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 FY12 audit period, this recommendation is **repeated**. Detailed testing will be performed in the next audit cycle. (pages 20-21)

Eligibility Documentation

All three 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.

According to both HFS and DHS officials, effective March 14, 2012, an automated Secretary of State clearance was completed to verify residency. We tested whether HFS and DHS were verifying Illinois residency after March 14, 2012. We selected 50 cases identified by DHS that had eligibility beginning in June 2012. Both DHS and HFS pulled electronic and paper files for our review. HFS and DHS could not locate three of the recipient files, and an additional recipient file sampled had an application date prior to March 2012. Of the remaining 46 files reviewed, we found that residency was verified in 44 of the 46 files. Of the 44 recipients verified, 20 had eligibility verified by the Secretary of State clearance and 24 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. Although progress was made, in the 49 applicable files tested, proof of residency verification was not found in two files and three additional files were not able to be located by HFS and DHS; 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 FY12. 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. Also, 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 21-23)

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 pickup or drop off times or locations. In its updated responses, HFS indicated that corrective action

was taken to address this recommendation prior to the current audit period. This includes implementing system edits to allow only one round trip per day and sending notices to providers reminding them to submit accurate claim details.

We reviewed FY12 transportation claims and continued to find duplicate transportation claims and claims with inaccurate details. Our review identified seven providers that billed 202 duplicate services totaling \$1,524 in FY12. We also identified 141 services totaling \$2,925 that did not have the necessary information to make any determinations about the services that were provided. For example, there were several instances where all the origin and destination times for a given day for a recipient were all the same. Likewise, there were several instances where the origin and destination locations were all the same. Since it was not possible to determine where and when these recipients were picked up and where and when they were dropped off, it is unclear how the claims were approved for payment.

Since we continue to find issues with transportation claim documentation, the status of this recommendation is **repeated**. This recommendation will be followed up on during the next audit cycle. (pages 23-24)

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 (ICI) without prior approval. As a result, optical providers were able to bill for multiple frames and fittings for 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-OIG for further investigation. The HFS Office of the Inspector General (OIG) noted it was aware of this provider's billing patterns and was in the early stages of auditing this provider. 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.

In an updated response to this recommendation, the HFS OIG stated that it was in the process of developing predictive modeling routines related to optical care. The OIG also noted it ran data mining routines to determine children with multiple

eyeglass expenditures, and requested charts to determine whether the multiple eyeglasses were medically necessary or if there was evidence of fraud, waste, or abuse. 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.

Since the steps taken by the OIG occurred after our FY12 audit period, the status of this recommendation is **repeated**. Therefore, this recommendation will be followed up on during the next audit cycle. (pages 24-25)

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.

During our review of the FY12 data, auditors continued to identify 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. 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, the status of this recommendation is **repeated** and will be followed up on during the next audit cycle, which covers the period July 1, 2012, to June 30, 2013. (pages 25-26)

We identified 2,255 recipients that received 2,732 preventive medicine services in excess of the limit.

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 the Department of Healthcare and Family Services for follow-up and/or investigation.

In this FY12 audit, we analyzed the data and did not find instances of payments beyond the established frequency limits for periodic oral examinations, sealants, and prophylaxes (cleanings).

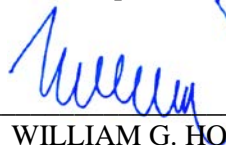
We found in our FY12 review, the ALL KIDS Dental Services webpage still states that children are limited to a periodic oral exam once every 12 months per dentist, whereas the Dental Office Reference Manual schedule of Benefits still states that children can receive an oral exam once every 6 months in an office setting and once every 12 months in a school setting.

Additionally, in the FY10 and FY11 audits, we recommended that HFS ensure that dental policies or other information available to the public accurately states frequency of benefits. We found in our FY12 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.

During this audit, we followed up on providers that we referred to the HFS OIG during our FY10 audit. In response to our inquiry, the OIG noted one provider was audited and the provider repaid \$9,471. The OIG performed Quality of Care Reviews which found no issues for two of the other providers referred in FY10. For the last provider, the OIG initiated a Special Project Audit in FY10 which was never completed. During our review of top ten providers in FY12, we found this provider continued to have a high average cost per client or other outliers, and again referred this provider to the OIG. According to the OIG, it is currently auditing this provider. (page 27)

RECOMMENDATIONS

The audit report contains 10 recommendations. Eight recommendations were specifically for the Department of Healthcare and Family Services. Two 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 10 recommendations. Appendix H 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.