STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL
Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

COVERING ALL KIDS HEALTH INSURANCE PROGRAM

PROGRAM AUDIT
For the Year Ended: June 30, 2014

Release Date: February 2016

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 **sixth annual audit** and covers FY14. 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 FY14 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 FY14, 81,440 children were enrolled in EXPANDED ALL KIDS for a total cost of $70 million.
- Of the 28,695 EXPANDED ALL KIDS recipients that required an annual redetermination of eligibility in FY14, we found 6,625 (23%) were not redetermined annually as required.
- We tested 40 initial eligibility cases from FY14, and determined HFS and DHS were missing documentation needed to verify residency in 25% of cases, birth/age in 38% of cases, and one month's income in 54% of cases. In addition, we found income was incorrectly calculated in 18% of cases where income was reported.
- We tested 40 cases redetermined in FY14, and determined HFS and DHS were missing documentation needed to verify residency in 60% of cases, birth/age in 74% of cases, and one month's income in 14% of cases. In addition, we found income was incorrectly calculated in 21% of cases where income was reported.
- In FY14, 166 recipients received 1,653 services totaling $75,583 after the month of their 19th birthday. Additionally, there were 423 individuals who were enrolled with more than one identification number.
- We tested 40 initial eligibility cases and 40 cases redetermined during FY14. We found that 60 percent of the initial cases (24 of 40), and 43 percent of the redetermined cases (17 of 40), were coded as "undocumented" even though we found evidence supporting citizenship or documented immigrant status.
- We found the EXPANDED ALL KIDS data contained 5,536 recipients who were coded as "undocumented" even though their social security numbers were verified. In FY14, these 5,536 had 130,609 services for a total cost of $4.79 million. If these recipients were classified as undocumented in error, the State did not receive eligible matching federal funds.
- In 2011, HFS made the procedures for orthodontic services less stringent, which increased orthodontia claims from $322,892 in FY 2010 to $3.6 million by FY 2014. We recommended that HFS review and monitor eligibility for orthodontic services more effectively.
- DHS and HFS agreed with all the five recommendations made in the audit report.

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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 (SCHIP) 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 sixth annual audit (FY14). 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. The fifth audit (FY13) was released in August 2014 and contained eight recommendations.

This FY14 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. HFS and DHS took some action to address the previous 8 recommendations, and as a result, only 4 of the 8 are repeated during this audit period (FY14). (pages 7-9, 20)

RECENT CHANGES TO THE COVERING ALL KIDS HEALTH INSURANCE PROGRAM

Events in recent years have had a significant impact on the EXPANDED ALL KIDS program and our audits. These events include:

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

1. Public Act 96-1501 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 federal poverty level (FPL) were no longer eligible. As a result, there were a reduced number of EXPANDED ALL KIDS participants and expenditures to be audited;

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.

2. In 2013, 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);

   Our first four EXPANDED ALL KIDS audits only included children whose medical care was totally State-funded. Beginning with the last audit, we determined the federal government would reimburse the State 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 October 29, 2015, HFS had recouped a total of $40.4 million; and

The Affordable Care Act required all states to apply a new budget methodology based on Modified Adjusted Gross Income (MAGI) to determine eligibility for certain households requesting or receiving medical assistance.

3. The most recent change required a new budgeting methodology for determining ALL KIDS eligibility. The Affordable Care Act required all states to apply a new budget methodology based on Modified Adjusted Gross Income (MAGI) to determine eligibility for certain households requesting or receiving medical assistance. The purpose of using the MAGI budgeting methodology is to align financial eligibility rules with the Health Insurance Marketplace. Even though much of the EXPANDED ALL KIDS population is not federally funded, to avoid confusion, HFS uses the same budgeting methodology for all medical programs. Therefore, the new MAGI calculation methodology increased the ALL KIDS level from 300 percent of FPL to 318 percent of FPL, thus increasing the number of recipients eligible. (pages 10-13)

ALL KIDS PROGRAM

According to HFS, in FY14, Illinois' ALL KIDS program as a whole had a total of 1.9 million enrollees and HFS paid almost $3.1 billion in claims. In FY14, enrollees that were eligible at any point in the year as a result of the July 1, 2006 ALL KIDS expansion totaled 81,440.

On June 30, 2014, there were 52,075 enrollees as a result of the expansion, of which 30,441 (58%) were classified as undocumented immigrants in the HFS data. Over the last four fiscal years, total enrollment has decreased from 74,975 at the end of FY11 to 52,075 at the end of FY14. There was a 22,900 enrollee decrease from FY11 to FY14, some of which was due to the elimination of Levels 3 through 8 after June 30, 2012, as required by PA 96-1501. Digest Exhibit 1 breaks out enrollment by fiscal year, by plan, and by whether the child was classified by HFS or DHS as a citizen or documented immigrant or whether the child was classified as undocumented.

During the last five years, while the number of citizens/documented immigrants has remained fairly steady, there has been a steady decrease in undocumented immigrants. The number of undocumented enrollees decreased from 54,073 in June 2009 to 30,441 in June 2014. (pages 13-16)

Digest Exhibit 1
EXPANDED ALL KIDS ENROLLMENT BY PLAN [2]
As of June 30

EXPANDED ALL KIDS Plan	Citizens/ Documented Immigrants		Undocumented Immigrants	
	FY13	FY14	FY13	FY14
Assist $35,064[1]	Part of Medicaid and not part of EXPANDED ALL KIDS		37,938	28,460
Share $37,440[1]			806	702
Premium Level 1 $49,848[1]			811	965
Premium Level 2 $75,840[1]	18,963[3]	21, 634[3]	304	314
Totals	**18,963**	**21,634**	**39,859**	**30,441**

Notes:

[1] Denotes the Modified Adjusted Gross Income (MAGI) equivalent income standard for the plan level and the maximum income for a family of four for that plan during FY14.

[2] Enrollment is the total number of enrollees that were eligible on June 30 of 2013 and 2014. There were 84,563 enrollees eligible at some point during FY13 and 81,440 enrollees eligible at some point during FY14.

[3] State received 65 percent reimbursement from Title XXI of the Social Security Act (Medicaid) for these recipients.

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, to $89.3 million in FY11. The total cost for services dropped to $87.8 million in FY12, to $75.2 million in FY13, and to $70 million in FY14.

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, to $75.2 million in FY13, and to $70 million in FY14.

Digest Exhibit 2 breaks out the payments for services by whether the child was classified as a citizen or documented immigrant or whether the child was classified as undocumented for both FY13 and FY14. The Exhibit shows the cost of services decreased by $5.1 million from $75.2 million in FY13 to $70 million in FY14. (page 17)

Digest Exhibit 2
EXPANDED ALL KIDS COST OF SERVICES PROVIDED BY ALL KIDS PLAN
Fiscal Years 2013 and 2014

EXPANDED ALL KIDS Plan	Citizens/Documented Immigrants		Undocumented Immigrants		Totals	
	FY13	FY13	FY13	FY14	FY13	FY14
Assist $35,064[1]	Part of Medicaid and not part of EXPANDED ALL KIDS		$46,646,334	$39,546,799	$46,646,334	$39,546,799
Share $37,440[1]			$919,741	$971,681	$919,741	$971,681
Premium Level 1 $49,848[1]			$885,206	$1,285,740	$885,206	$1,285,740
Premium Level 2 $75,840[1]	$26,409,537[3]	$27,766,776[3]	$303,525	$473,790	$26,713,062	$28,240,566
Totals[2]	**$26,409,537**	**$27,766,776**	**$48,754,805**	**$42,278,010**	**$75,164,343**	**$70,044,785**

Notes:

[1] Denotes the Modified Adjusted Gross Income (MAGI) equivalent income standard for the plan level and the maximum income for a family of four for that plan during FY14.

[2] Totals may not add due to rounding.

[3] The federal matching rate was 65 percent; therefore, the State's share for FY13 services was $9.2 million and was $9.7 million for FY14 services.

Source: ALL KIDS data provided by HFS.

COST OF SERVICES AND PREMIUMS COLLECTED

HFS received $7.7 million in premium payments from enrollees in FY13, and received $8.3 million in FY14. As a result, the net cost of EXPANDED ALL KIDS after premium payments were applied was approximately $67.5 million in FY13 and $61.7 million in FY14. Digest Exhibit 3 shows both FY13 and FY14 cost of services and premiums collected from the EXPANDED ALL KIDS program. (page 19)

Digest Exhibit 3
COST OF SERVICES FOR EXPANDED ALL KIDS AND PREMIUM AMOUNTS COLLECTED
Fiscal Years 2013 and 2014

EXPANDED ALL KIDS Plan	FY13 Services	FY14 Services	FY13 Premiums Collected	FY14 Premiums Collected	FY13 Net Cost[3]	FY14 Net Cost[3]
Assist $35,064[1]	$46,646,334	$39,546,799	n/a	n/a	$46,646,334	$39,546,799
Share $37,440[1]	$919,741	$971,681	$0	$30	$919,741	$971,651
Premium Level 1 $49,848[1]	$885,206	$1,285,740	$124,725	$128,018	$760,481	$1,157,722
Premium Level 2[2] $75,840[1]	$26,713,062	$28,240,566	$7,554,265	$8,190,167	$19,158,796	$20,050,399
Totals[3]	**$75,164,343**	**$70,044,785**	**$7,678,990**	**$8,318,215**	**$67,485,352**	**$61,726,571**

Notes:

[1] Denotes the Modified Adjusted Gross Income (MAGI) equivalent income standard for the plan level and the maximum income for a family of four for that plan during FY14.

[2] This exhibit does not include any federal reimbursement for Level 2 enrollees, which would decrease the State's total actual cost by 65% or $17.4 million in FY13 and $18.4 million in FY14.

[3] Totals may not add due to rounding.

Source: ALL KIDS claim and premium collection data provided by HFS.

ESTIMATED TOTAL COST OF EXPANDED ALL KIDS SERVICES TO THE STATE DURING FY14

To estimate the total cost of the EXPANDED ALL KIDS program to the State, we subtracted the allowable federal reimbursement for Level 2 enrollees (65%) and the premium payment amount HFS received during FY14 from the total cost for services provided during FY14. The cost of the program continues to decrease. In FY13, the estimated cost to the State was $50.1 million. (page 19)

FOLLOW UP ON FY13 RECOMMENDATIONS

HFS and DHS took some action to address the previous 8 recommendations, and as a result, only 4 of the 8 are repeated.

HFS and DHS took some action to address the previous 8 recommendations, and as a result, only 4 of the 8 are repeated. We also added one new recommendation related to orthodontia. We found that HFS addressed the past recommendation relating to inconsistent dental policies by updating its website with a link to the correct policies. We also analyzed transportation claims and preventive medicine claims and found no exceptions. HFS officials indicated that the duplicate claims edit was manual and was too time consuming and costly to perform in the past; however, the new system currently being developed will include the edit. (page 20)

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 (FY14), auditors continued to find that redeterminations were not conducted as required.

Annual Eligibility Redeterminations

In February 2014, a new process for redetermining eligibility began under the Illinois Medicaid Redetermination Project. A new redetermination system called Max-IL was developed to record and store redetermination information for medical-only cases. Using the new Max-IL system, medical-only cases are redetermined annually by the central redetermination unit staff. The new Max-IL system records and stores all redetermination forms mailed to the recipient, returned redeterminations, electronic data matching results, requests for missing information, and verifications. Central redetermination staff is responsible for making eligibility decisions, coding the redetermination, and processing any changes on the cases. In addition, MAGI rules for redeterminations became effective on April 1, 2014.

During our review of all eligibility redeterminations for EXPANDED ALL KIDS recipients made in FY14, we found that HFS and DHS did not complete redeterminations of eligibility **annually** for all recipients as required by the Covering ALL KIDS Health Insurance Act. According to the data provided by HFS, 28,695 EXPANDED ALL KIDS recipients required a redetermination of eligibility in FY14. Our analysis of the data showed 22,070 of the 28,695 (77%) were redetermined in FY14. As a result, 6,625 (23%) were not redetermined annually as required by the Act. According to the data, 3,971 of the 6,625 were redetermined in FY15 and the remaining 2,654 were pending.

Our analysis of the data showed 22,070 of the 28,695 (77%) were redetermined in FY14. As a result, 6,625 (23%) were not redetermined annually as required by the Act.

Given that redeterminations were not conducted timely for 23 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, 2014, to June 30, 2015. (pages 20-23)

ALL KIDS ELIGIBILITY DATA

Auditors identified issues associated with the eligibility data provided by HFS dating back to FY09. These areas included individuals who were older than 18 years of age and 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 FY14 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 FY14 data, we identified 423 individuals who appeared to be enrolled with more than one identification number.

We identified 423 individuals who appeared to be enrolled with more than one identification number.

We also identified 166 recipients that received 1,653 services totaling $75,583 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, 2014, to June 30, 2015. (page 23)

We also identified 166 recipients that received 1,653 services totaling $75,583 after the month of their 19th birthday.

CLASSIFICATION OF DOCUMENTED IMMIGRANTS

Although HFS reported the miscoding of documented immigrants had been corrected, during each of our last two audits, we found the EXPANDED ALL KIDS data continued to have recipients who appear to be incorrectly coded as "undocumented." Although some of the inaccurate coding may have been due to incorrect electronic matching of social security numbers as was previously reported by HFS, we determined a lack of specific policies and procedures for caseworkers is also causing miscoding.

During testing of eligibility determinations during this audit, we determined HFS and DHS did not identify the correct citizenship status for recipients, and as a result, the State is losing federal matching Medicaid funds. We found in past audits, and continue to find, EXPANDED ALL KIDS recipients coded as undocumented that should not be 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. Recipients with verified social security numbers and/or alien registration numbers appear to be documented immigrants and would be eligible for federal matching funds.

For recipients categorized by HFS and DHS as "undocumented," we determined the FY14 eligibility data contained:

- 5,536 recipients who had social security numbers that were verified, of which 801 also had an alien registration number; and
- 138 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 FY14 and determined the 5,536 recipients had 130,609 services for a total cost of $4.79 million.

We reviewed the services provided to these "undocumented" recipients in FY14 and determined the 5,536 recipients had 130,609 services for a total cost of $4.79 million. If these recipients were classified as undocumented in error, the State did not receive eligible matching federal funds.

Initial Eligibility Testing

During our testing of 40 new cases that were approved during May and June 2014, we found 19 cases coded as undocumented even though the enrollees had a verified social security number. As a result, the enrollees likely should not have been classified as undocumented. In addition to these 19 cases, we found an additional 5 cases that also likely should not have been classified as undocumented based on immigration documentation, tax filer status, or birth information. Therefore, a total of 24 out of the 40 recipients sampled (60%) were coded as undocumented even though we found evidence supporting they were likely citizens or documented immigrants. We provided these 24 to DHS, and DHS officials agreed they were likely documented.

A total of 24 out of the 40 initial eligibility recipients sampled (60%) were coded as undocumented even though we found evidence supporting they were likely citizens or documented immigrants.

We met with a DHS official and discussed the issue of enrollees with verified social security numbers being classified in the Integrated Eligibility System (IES) by caseworkers as undocumented. The DHS official used IES to test a case and determined that in fact an individual with a verified social security number can be classified by a caseworker as undocumented. Caseworkers manually classify enrollees using a drop down menu. There is currently no edit within IES that would notify the caseworker that the enrollee was being classified as undocumented even though there is documentation to support citizenship or a documented immigrant status.

Eligibility Testing for Redetermination

During our review of 40 recipients that were redetermined during May or June 2014, we found 8 coded as undocumented even though the enrollees had a verified social security number. As a result, the enrollees likely should not have been classified as undocumented. In addition to these 8 cases, we found 9 cases that also likely should not have been classified as undocumented based

A total of 17 out of the 40 recipients sampled (43%) were coded as undocumented at redetermination even though we found evidence supporting they were likely citizens or documented immigrants.

on immigration documentation or tax filer status. Therefore, a total of 17 out of the 40 recipients sampled (43%) were coded as undocumented even though we found evidence supporting they were likely citizens or documented immigrants. We provided these 17 to DHS, and DHS officials agreed they were likely documented.

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, 2014, to June 30, 2015. 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 24-26)

ELIGIBILITY DOCUMENTATION

All five 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.

HFS and DHS attempt to determine eligibility for undocumented immigrants using various data matching techniques to determine residency, income, and immigration/citizen status. We determined the data matching component used by IES or the Illinois Medicaid Redetermination Project (IMRP) cannot be utilized for the undocumented recipients in the EXPANDED ALL KIDS program since by definition, these children and often their parents are **undocumented.** Electronic data matches and searches based on social security numbers are ineffective for this population because they do not have social security numbers. Therefore, in many instances, the auditors along with DHS officials, searched through IES for scanned copies of documents to determine residency, income, birth/age, and immigration/citizenship status for all recipients, including undocumented recipients.

Initial Eligibility Testing

We selected 40 new cases that were approved during May and June 2014 and found significant issues. During our testing, we reviewed all 40 new cases in IES to determine whether all required eligibility documentation was obtained or reviewed.

We found residency was not verified in 10 of the 40 (25%) cases tested, and birth/age information was not verified in 15 of the 40 (38%) cases tested. We also found income eligibility documentation and calculation problems in the majority of the cases tested. Of the 40 cases tested, 28 reported having some income. We found 30 days of income was not reviewed in 54 percent (15 of 28) of the cases where income was reported. In addition to the 15 that were missing 30 days of income, we identified 5 other cases (18%) where caseworkers did not calculate the income correctly or did not determine the correct number of household members.

Eligibility Redetermination Testing

We tested 40 redeterminations that occurred during May and June 2014 and found significant issues. Half of the cases were redetermined in Max-IL and half were determined in the Supplemental Nutrition Assistance Program (SNAP). We found 17 cases coded as undocumented even though we found evidence, such as verified social security numbers, supporting the enrollee was likely a citizen or documented immigrant. As a result, these 17 recipients are likely not eligible for the EXPANDED ALL KIDS program. One of the 40 cases was closed before it was redetermined, and therefore, was not included in the testing.

We found DHS and HFS did not obtain all required documentation to support birth, residency, and income. We found residency was not verified in 12 of the 20 (60%) cases tested, and birth/age information was not verified in 29 of the 39 (74%) cases tested. We also found income eligibility documentation and calculation problems in the cases tested. Of the 39 cases tested, 29 reported having some income. We found 30 days of income was not reviewed in 14 percent (4 of 29) of the cases where income was reported. In addition to the 4 that were missing 30 days of income, we identified 6 other cases (21%) where caseworkers did not calculate the income correctly or did not determine the correct number of household members. Therefore, this part of the recommendation is **repeated** and will be followed up on in future audits. (pages 26-33)

POLICIES COVERING ORTHODONTIC TREATMENT

As part of this year's EXPANDED ALL KIDS audit, we examined the payments made to providers for orthodontic

services. Our review identified two issues. The first was a lack of documentation related to orthodontic claims. The second was whether sufficient documentation existed to support eligibility decisions.

Lack of Documentation from DentaQuest

DentaQuest could not provide the documents for 9 of the 40 requested (23%).

As a result of our review of policies and procedures related to the approval of orthodontia, we found that DentaQuest, the Dental Program Administrator for HFS, could not provide documents that were used to approve orthodontic claims. We requested documents used by DentaQuest for initial approval for 40 recipients that had orthodontic services during FY14. DentaQuest could not provide the documents for 9 of the 40 requested (23%). According to DentaQuest officials, 3 could not be provided because "NEA" (National Electronic Attachment) only retains records for three years, while 6 could not be provided due to a "system issue."

Orthodontic Eligibility Criteria

The Administrative Code (89 Ill. Adm. Code 140.421(a)(16)) provides the following guidance on orthodontic eligibility:

Orthodontics. Medically necessary orthodontic treatment is approved only for patients ages 0-20 and is defined as:

A) treatment necessary to correct a condition which scores 42 points or more on the Salzmann Index; or

B) treatment necessary to correct a handicapping malocclusion (a condition that impairs or creates a hazard in eating, chewing, speaking, or breathing.)

We found almost none of the recipients were approved for orthodontics in FY14 using the Salzmann Index score (89 Ill. Adm. Code 140.421(a)(16)(A)). Only 8 of 13,576 orthodontic cases approved by DentaQuest were approved using the Salzmann Index.

The majority of the recipients were approved using the medical necessity standard (89 Ill. Adm. Code 140.421(a)(16)(B)). A DentaQuest official noted that the scoring tool used by DentaQuest for orthodontic cases was changed in 2010 to capture medical necessity without requiring a written order from a physician.

The change in the scoring tool corresponded with a significant increase in orthodontia claims being paid by HFS. In FY10, the EXPANDED ALL KIDS program paid for only $322,892 in orthodontic services. By FY14, 4,020 EXPANDED ALL KIDS

In FY10, the EXPANDED ALL KIDS program paid for only $322,892 in orthodontic services. By FY14, 4,020 EXPANDED ALL KIDS recipients had orthodontic services totaling $3.6 million.

recipients had orthodontic services totaling $3.6 million. Similarly, orthodontic services increased dramatically for HFS' medical program as a whole. In FY10, payments for orthodontic services totaled $2.9 million. In FY 2012, the amount paid increased to $16.6 million, and by FY14, payments totaled $36.6 million.

Review of Orthodontic Cases

While the scoring tool was approved in FY11, the Administrative Code delineating eligibility criteria for orthodontic services was not changed. As noted above, few cases are approved using the Salzmann Index in the first section of the Administrative Code (89 Ill. Adm. Code 140.421(a)(16)(A)). Rather, most cases are approved pursuant to the second part of the Administrative Code which states: *treatment necessary to correct a handicapping malocclusion (a condition that impairs or creates a hazard in eating, chewing, speaking, or breathing.)*

It is HFS' position that the revised scoring tool continues to comply with the requirements of the Administrative Code. In December 2009, a DentaQuest dentist recommended Illinois adopt the Medical Necessity Scoring Tool, and if the recipient does not qualify, use the modified Salzmann. The Peer Review Committee minutes stated "the state regulations require that orthodontia should be approved if the Modified Salzmann is 42 points or higher or if the service is medically necessary. Using both tools will meet the state regulations and will not necessitate a rules change." All committee members approved the recommendation.

According to HFS, the change to the scoring tool received approval from two other HFS committees. HFS provided limited documentation showing that the change was approved by the Dental Program Policy Committee or the Policy Review System.

We noted there were a large number of dentists providing orthodontic services that were among the highest paid providers in the EXPANDED ALL KIDS program, and we approached the HFS Office of the Inspector General (OIG) for assistance reviewing eligibility documentation for a sample of the providers. We also noted that based on our review of 15 case files, we had questions regarding whether some recipients approved for orthodontic services met the need standards established in HFS' administrative rule or Dental Office Reference Manual (DORM).

The OIG agreed to have the OIG dental consultant review cases selected by us. We worked with the OIG and jointly visited four orthodontist offices. We obtained and reviewed the documentation for 10 recipients at each location for a total of 40 cases. As of October 27, 2014, there were 453 orthodontic claims paid for these 40 cases totaling $124,000. Auditors judgmentally

Auditors found 1 of the 4 providers could not provide evidence to support all services provided.

selected 10 cases for each provider where it appeared from the electronic data the treatment was completed during FY14 or in early FY15. Auditors found 1 of the 4 providers could not provide evidence to support all services provided. In all 10 cases reviewed for this provider, auditors could not find evidence for all of the services billed.

Auditors also determined that the scoring tool was completed by DentaQuest, and not by the recipient's dentist, as HFS had previously indicated to the auditors. Auditors asked HFS what monitoring is conducted by HFS related to the approval of orthodontics. HFS indicated it does not review eligibility decisions made by DentaQuest.

During our testing, we had discussions with the orthodontists related to the approval process. We were able to ask 3 of the 4 orthodontists specifically about the approval process. All three orthodontists indicated they could not follow the reasoning behind why some cases were approved by DentaQuest.

Results from OIG Consultant's Review

The OIG provided the OAG with a preliminary draft of its report which noted that due to the modifications made in 2011 to the medical necessity prior approval procedures, *"the threshold for medically necessary services was made less stringent increasing the number of prior approvals of orthodontic services."* During the review of the 40 sample cases, the OIG's dental consultant found that each of the 40 cases met the Department's medical necessity criteria using the new, less stringent scoring tool; however, the consultant found *"limited or no corroborating evidence of conditions of a handicapping malocclusion, including documentation establishing a condition that impairs or creates a hazard in eating, chewing, speaking or breathing, other than that which was documented in Attachment G."* Attachment G of the DORM is the Medical Necessity Scoring Tool (see Appendix F). The OIG recommended increasing the documentation required to establish medical necessity, such as a narrative report from the dentist as well as a certification from a medical professional certifying that the client meets the conditions of a medical need for orthodontic services.

The OIG found guidelines for providers of orthodontic services were unclear and inconsistent. The OIG recommended the definition of medical necessity be revised and more clearly defined. The OIG also recommended changes to either the Administrative Code, Department Handbooks or policies to include more specific examples of medical necessity.

Conclusion

Expenditures by the State for orthodontic services for children in EXPANDED ALL KIDS specifically, and HFS' medical program generally, increased dramatically from FY10 to FY14. This increase corresponds to the time when the scoring tool used to determine medical necessity for orthodontic services was revised. A review conducted by the OIG concluded that revisions and clarifications to policies establishing medical necessity should be made, as well as requiring additional documentation to support medical necessity. (pages 33-37)

RECOMMENDATIONS

The audit report contains five recommendations. Two 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 Human Services agreed with its three recommendations. Department of Healthcare and Family Services agreed with all five of its recommendations. Appendix G to the audit report contains the agency responses.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:SAW

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