

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**  
**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2006**

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2006

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**AGENCY OFFICIALS**

Director	Barry S. Maram
Assistant Director	Cristal Thomas (8/20/05 through current)
Deputy Directors	
Community Outreach	Peter F. Viña
Administrative Operations	Charles A. Jackson
Human Resources	Kevin Connor
General Counsel	Nancy Shalowitz
Inspector General	John Allen
State Purchasing Officer	Thomas Meirink
Administrators	
Division of Child Support Enforcement	Pamela Compton
Division of Finance	Michael Moss
Division of Medical Programs	Anne Marie Murphy
Chiefs	
Office of Legislative Affairs	Bresha Brewer (10/17/05 through current)
Office of Fiscal Management	Jack Dodds (9/16/05 through current)
Office of Healthcare Purchasing	Jesse Thomas (10/19/05 through current)
Office of Information Services	Ivan Handler (10/1/05 through current)
Special Assistants	
HIPPA & Computer Security	Steven Poelsterl
Medical Policy Development	Joseph Hylak-Reinholtz
Hospital Policy	Melissa Baker (7/12/05 through current)
Business Practices	Vacant
Medical Finance	Alan Biggerstaff (9/1/05 through current)
Child Support	Virkumar Doshi
Strategic Plan Advisor	Vacant
KidCare	Vacant
Managed Care	Vacant
Intergovernmental Affairs Liaison	Vacant
Long Term Care	Jean Summerfield

Department of Healthcare and Family Services offices are located at:

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January 8, 2007

Office of the Auditor General  
740 East Ash  
Springfield, IL 62703

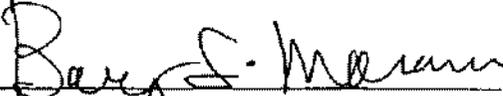
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Agency. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the year ended June 30, 2006. Based on this evaluation, we assert that during the year ended June 30, 2006, the Agency has materially complied with the assertions below.

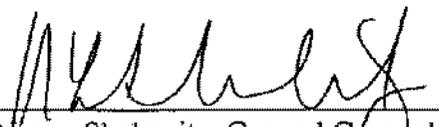
- A. The agency has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The agency has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours very truly,

Illinois Department of Healthcare and Family Services

  
Barry S. Maram, Director

  
Jack Dodds, Chief Fiscal Officer

  
Nancy Shalowitz, General Counsel

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STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2006

**COMPLIANCE REPORT**

**SUMMARY**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**AUDITORS' REPORT**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Audit Findings	10	8
Repeated audit findings	4	0
Prior recommendations implemented or not repeated	4	3

Details of findings are presented in a separately tabbed report section.

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
06-1	11	Department did not follow procedures for disposal of confidential information
06-2	13	Time sheets not maintained in compliance with the State Officials and Employees Ethics Act
06-3	14	Voucher processing weaknesses
06-4	16	Premiums not billed for all required children
06-5	18	Computer disaster recovery plans not tested
06-6	20	Inadequate controls over personnel services
06-7	22	Grants not approved or closed out timely

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DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
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**SCHEDULE OF FINDINGS (continued)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
06-8	23	Reports of reorganization not filed as required
06-9	25	Inadequate contract terms and supporting documentation
06-10	27	Failure to implement reimbursement methodology for demonstration programs and failure to submit annual report

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

06-11	28	State Disbursement Unit outstanding checks
06-12	28	Failure to sign interagency agreements prior to the effective date
06-13	28	Improper controls over signature authority
06-14	28	Inadequate controls to ensure excess funds are transferred to the General Revenue Fund

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For the Year Ended June 30, 2006

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on March 15, 2007. Attending were:

Department of Healthcare and Family Services

Brenda Vost, Audit Liaison  
Elvin Lay, Chief, Bureau of Fiscal Operations  
Frank Kopel, Chief, Bureau of Program and Reimbursement Analysis  
Tim Claborn, Chief, Bureau of Claims Processing  
Theresa Bietsch, Personnel Administrator  
Mike Casey, Acting Chief, Bureau of Budget and Cash Management  
Rich Mathenia, Office of Information Systems Audit Liaison  
Connie Christen, Administrative Assistant II

Office of the Auditor General

Terri Davis, Audit Manager  
Peggy Hartson, Audit Supervisor  
Jeremy Mehochko, IS Supervisor  
Paula Sorensen, Auditor  
Megen Daugherty, Auditor  
Jeremy Henderson, Auditor

Responses to the recommendations were provided by Brenda Vost, Audit Liaison of the Department in a letter dated March 27, 2007.

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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

Compliance

We have examined the State of Illinois, Department of Healthcare and Family Services' compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2006. The management of the State of Illinois, Department of Healthcare and Family Services is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Healthcare and Family Services' compliance based on our examination.

- A. The State of Illinois, Department of Healthcare and Family Services has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Department of Healthcare and Family Services has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Department of Healthcare and Family Services has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the State of Illinois, Department of Healthcare and Family Services are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the State of Illinois, Department of Healthcare and Family Services on behalf of the State or held in trust by the State of Illinois, Department of Healthcare and Family Services have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Healthcare and Family Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Healthcare and Family Services' compliance with specified requirements.

In our opinion, the State of Illinois, Department of Healthcare and Family Services complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2006. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 06-1, 06-2, 06-3, 06-4, 06-6, 06-7, 06-8, 06-9 and 06-10. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.

### **Internal Control**

The management of the State of Illinois, Department of Healthcare and Family Services is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois, Department of Healthcare and Family Services' internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

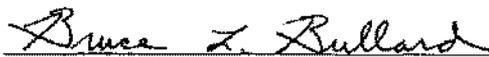
Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the

accompanying schedule of State findings as findings 06-1, 06-2, 06-3, 06-4, 06-5, 06-6, 06-7, and 06-9. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter.

**Supplementary Information for State Compliance Purposes**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Healthcare and Family Services as of and for the year ended June 30, 2006, which collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements, and have issued our report thereon dated January 8, 2007. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois, Department of Healthcare and Family Services. The 2006 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2006 taken as a whole. The State of Illinois, Department of Healthcare and Family Services' financial statements for the year ended June 30, 2005 were audited by other auditors whose report thereon dated November 4, 2005, expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. Their report on the 2005 Supplementary Information for State Compliance Purposes stated that, in their opinion, such information, except for the portion marked "unaudited," was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

January 8, 2007

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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland  
Auditor General  
State of Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Healthcare and Family Services, as of and for the year ended June 30, 2006, which collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements and have issued our report thereon dated January 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

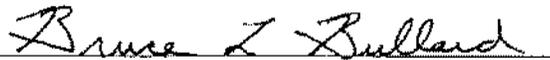
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the State of Illinois, Department of Healthcare and Family Services in a separate letter dated January 8, 2007.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Healthcare and Family Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the State of Illinois, Department of Healthcare and Family Services in a separate letter dated January 8, 2007.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

January 8, 2007

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

- 06-1. **FINDING** (Department did not follow procedures for disposal of confidential information)

The Illinois Department of Healthcare and Family Services (Department) had not ensured adequate procedures exist for disposal of documents containing confidential and sensitive information.

As a result of the Department's mission, it regularly collects and maintains confidential and personal identifiable information. As such the Department's Employee Handbook states, "you are required by law to safeguard the confidentiality of provider, applicant, participant, and case information. Disciplinary action, including discharge, can be taken against staff who violate confidential requirements."

In addition, the Personal Information Protection Act (Act) (815 ILCS 530/30) requires State agencies to properly dispose of information. The Act states, "Any State agency that collects personal data that is no longer needed or stored at the agency shall dispose of the personal data or written material it has collected in such a manner as to ensure the security and confidentiality of the material."

We found procedures for properly disposing of confidential information were not adequate or always enforced. Specifically, while performing a walkthrough of two of the Department's buildings, we found confidential, personal, and sensitive information in trash and recycle bins located both inside and outside the buildings. Some examples of the information found included:

- Payroll report including names, social security numbers and salaries.
- Report generated from the Key Information Delivery System (KIDS) which included recipient names, social security numbers, and case numbers.
- Benefit statements which included patient names, account numbers, treatments received, and insurance information.
- Bank statements with names and account numbers.
- Sensitive legal documents.
- Sensitive computer security information.

It was not until the next day the outside bins were locked and a notice posted above the various bins regarding the procedures for disposal of confidential and personal information. Additionally, the materials identified were scheduled to be picked-up by trash and/or recycling vendors; however, the Department was unaware of the vendor's controls over the materials to ensure confidentiality was maintained.

Department management stated there was a misunderstanding about what documents need to be shredded prior to being placed in recycle bins.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

Confidential, sensitive and personal identifiable information collected and maintained by the Department should be adequately secured at all times. As such, it is the Department's responsibility to ensure adequate procedures for safeguarding all confidential information have been established, effectively communicated to all personnel, and continually enforced. Inherent within this responsibility is the requirement of adequate disposition of all confidential information that is no longer needed. Failure to establish adequate procedures to protect and dispose of confidential information and to enforce compliance with established procedures can lead to such information being compromised. (Finding Code No. 06-1)

**RECOMMENDATION**

We recommend the Department comply with the Personal Information Protection Act and establish adequate Department-wide procedures for properly disposing of confidential information (shredding is an acceptable method). Once established, the Department should effectively communicate the procedures to all Department personnel, and enforce compliance with its procedures ensuring all confidential information is kept secured until no longer needed, and then properly disposed.

**DEPARTMENT RESPONSE**

The Department concurs with the recommendation. Immediate action was taken to remind agency staff of established procedures on the disposal and treatment of confidential materials by:

- Posting a notice in disposal areas
- Instituting a Department-wide broadcast to staff.

Additionally, the Department is nearing completion in the process of executing a contract with an outside licensed vendor for professional, bonded, shredding services. These actions will help ensure compliance with the Personal Information Protection Act.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

06-2. **FINDING** (Time sheets not maintained in compliance with the State Officials and Employees Ethics Act)

The Illinois Department of Healthcare and Family Services (Department) did not maintain time sheets in compliance with the State Officials and Employees Ethics Act (Act).

The Department had personnel policies in regard to timekeeping, but the Department only required "Executive Level Staff" to maintain a daily timesheet, which documents the time spent each day on official State business. The Department had an average of 2,223 employees at June 30, 2006 and only required 16 (.7%) employees to prepare timesheets in accordance with the Act.

The State Officials and Employees Ethics Act (5 ILCS 430/5-5(c)) requires each State agency to develop a written policy that includes work time requirements and documentation of time worked. Additionally, the Act requires State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour. The Act further requires timesheets be maintained by the fiscal office for a period of at least two years.

Department management stated that a Department process is being implemented in fiscal year 2007 for all merit compensation staff to comply with the Act. A process is currently in place for bargaining unit staff; however, the form utilized to document and certify their time reflects the employee's time in and out, but not the total hours worked or the statement, "Official State Business."

Failure to maintain the required timekeeping records is noncompliance with State law. (Finding Code No. 06-2, 05-2)

**RECOMMENDATION**

We recommend the Department amend its policies to require all employees maintain time sheets in compliance with the Act. Further, the Department should ensure time sheets are completed in accordance with Department policies and retained by the fiscal office for the required statutory period.

**DEPARTMENT RESPONSE**

The Department agrees with this finding and is moving forward to implement the merit compensation process, and will again approach the union to emphasize the need to change the bargaining union's time sheet (HFS 163 form) to be in compliance with the Act.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

06-3. **FINDING** (Voucher processing weaknesses)

The Illinois Department of Healthcare and Family Services (Department) did not exercise adequate control over voucher processing. We noted the following:

- The Department did not pay interest on vouchers as required by the State Prompt Payment Act. The Department estimated at June 30, 2006 that approximately \$10 million in interest was owed to vendors supplying medical services. Interest on medical claims that were late were only paid when requested by vendors. The State Prompt Payment Act (30 ILCS 540/3-2) requires agencies to determine whether interest is due and automatically pay interest penalties amounting to \$50 or more to the appropriate vendor when payment is not issued within 60 days after receipt of a proper bill. Department management stated they are working on implementing a procedure to pay the interest penalties automatically.
- Twelve vouchers totaling \$187,775 to one vendor for healthcare consulting relating to the administration of the Group Health Insurance function that was transferred from the Department of Central Management Services on July 1, 2005 were inappropriately paid from the Public Assistance Recoveries Trust Fund. The Public Aid Code (Code) (305 ILCS 5/12-9) defines appropriate disbursement for the Public Assistance Recoveries Trust Fund which includes payments relating to recoveries made by the Department and administrative expenses incurred in performing activities authorized under the Code. Department management stated the error was due to oversight and healthcare consulting vouchers will no longer be paid from this fund.
- Eight of 34 (24%) internal service vouchers tested, totaling \$93,926, were approved for payment from 3 to 56 days late. The Illinois Administrative Code (74 Ill. Admin. Code 1000.50) requires user agencies to process payments within 30 days after physical receipt of Internal Service Fund bills. Department management stated since the bills are distributed to different program areas in various locations for detailed supervisory reviews and approvals, delays sometimes result.

Failure to pay the required interest on vouchers is noncompliance with the State Prompt Payment Act. Making inappropriate payments from the Public Assistance Recoveries Trust Fund is noncompliance with the Illinois Public Aid Code. Failure to approve internal service vouchers timely is noncompliance with the Illinois Administrative Code. (Finding Code No. 06-3)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

**RECOMMENDATION**

We recommend the Department comply with the Illinois Administrative Code and the State Prompt Payment Act and implement controls to ensure vouchers are approved within the required time frame and to automatically pay interest of \$50 or more on all vouchers not paid within 60 days. Further, the Department should implement controls to ensure all expenditures are paid from the proper funds.

**DEPARTMENT RESPONSE**

The Department has been automating the process to generate payments for automatic interest as prescribed by the State Prompt Payment Act and its rules. It is expected all automatic interest for FY00 through FY05 will be paid by the end of FY07. All automatic interest for the first half of FY07 may be paid by the end of FY07 or early FY08.

Staff have been notified in writing that they should be familiar with both fund authorization statutes and line-specific appropriation language prior to assigning funding sources to contracts.

Notification will be circulated with the telephone billings that will emphasize the need to timely review and remit approvals or exceptions within 30 days from the billings are received.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

06-4. **FINDING** (Premiums not billed for all required children)

The Illinois Department of Healthcare and Family Services' All Kids application system did not properly bill premiums for all required children.

During FY06 the Department embarked on a significant project in order to implement the All Kids program which began on July 1, 2006. During our review of this project, it was noted the premium calculation process of the application contained a program error, in which recipients enrolled were not billed monthly premiums. Specifically, the All Kids application passes records to the billing system with zero amounts for premiums. Thus, recipients have been enrolled, but were not appropriately billed monthly premiums.

Section 123.330 of the Social Services Code, Emergency Rule (89 Ill. Admin. Code 123.330) states families with members enrolled in the All Kids program must pay monthly premiums based on their income levels. Additionally, failure to make the monthly premium payments is to result in termination of coverage (89 Ill. Admin. Code 123.340).

The Illinois Department of Healthcare and Family Services (Department) was unable to determine the number of enrolled recipients with zero payment amounts, the total dollar amount of unbilled premiums, or the reason for the error at the time of our fieldwork. The problem was reported to the Department's Bureau of Information Services on June 29, 2006; however, there was no estimated completion date to fix the problem. Thus, the Department continued to provide services during FY07 to some enrolled recipients without receiving the appropriate premium.

After the completion of our testing, the Department stated there were 54,251 children, which were required to make premium payments, of which 623 children had their premium payment affected by the program error. As of November 2, 2006, the Department had not made a determination as to the collection of back premiums.

Department management stated the All Kids system is a coordinated system within two Departments: Department of Human Services and the Department of Healthcare and Family Services. The premium calculations for participants are determined by the Client Information System, which sends updated records to the Department for posting to the All Kids database and the Recipient database. A mismatch between the two records resulted in a zero premium being mailed to the client.

The Department was mandated to administer an insurance program which offers all uninsured children access to health insurance. Collected premiums are to assist the Department in making payments to the medical providers. (Finding Code No. 06-4)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

**RECOMMENDATION**

The Department should ensure the All Kids application system meets its needs and promotes compliance with mandated requirements. The Department should work diligently to determine the problem in the All Kids application and resolve it. Additionally, the Department should conduct an analysis to determine the financial effects on the All Kids Program and whether unbilled premiums should be collected.

**DEPARTMENT RESPONSE**

The Department concurs with the recommendation. The Department has reviewed the incoming data files for this program and has corrected the situation within HFS' systems. The Department will work with the Department of Human Services to synchronize the systems. In addition, the Department has determined the financial impact on the All Kids program was negligible and is considering whether unbilled premiums should be collected.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

06-5. **FINDING** (Computer disaster recovery plans not tested)

The Illinois Department of Healthcare and Family Services (Department) had not conducted disaster recovery testing of its computing environment within the last fiscal year.

The Department is responsible for improving healthcare coverage of Illinois families, providing energy assistance, and enforcing child support. The Department carries out its mission through the use of its computer systems. Computer systems which support the Department's mission include the Electronic Claims Processing, Recipient Eligibility Verification and Low Income Home Energy Assistance Program. The Department classified these applications as critical, requiring 24 x 7 availability, and with a maximum tolerable downtime of 72 hours in the event of a disaster.

The Department's Continuity Methodology, effective January 2006, provides "guidelines to produce effective and detailed instructions necessary to recover agency-critical information processing systems and services in order to reduce the consequences of a disruption to acceptable levels." In addition to the Continuity Methodology, the Department had five recovery plans to aid in the recovery of the critical applications.

The Continuity Methodology states exercises of recovery plans are to be conducted at least once a year; however, the Department had not conducted testing of any of its plans during the audit period.

Information technology guidance (including the National Institute of Standards and Technology and Government Accountability Office) endorse the formal testing of disaster recovery plans. Tests of disaster recovery plans (and the associated documentation of the test results) verify that the plan, procedures, resources provide the capability to recover critical systems within the required timeframe.

Department management stated the lack of a signed contract between the State and the vendor for offsite disaster recovery services delayed the scheduling of agency offsite disaster recovery testing until FY07.

Failure to adequately test disaster recovery plans leaves the Department exposed to the possibility of major disruptions of services. A comprehensive test of the plans will assist management in identifying weaknesses to ensure recovery procedures are adequate in the event of a disaster. Continuous testing of plans would also assist management to ensure the plans are appropriately modified, as the Department's computing environment and disaster recovery needs change. (Finding Code No. 06-5)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

**RECOMMENDATION**

The Department should perform and document tests of its various disaster recovery plans. The tests should include all critical computing platforms and systems, and should be adequately documented. The Department's plans should be continuously updated to reflect environmental changes and improvements identified from tests.

**DEPARTMENT RESPONSE**

The Department accepts this finding. A full disaster recovery test was performed in July 2006, just after the end of FY06. Although table top disaster recovery tests were performed in FY06, they were not adequately documented. Staff will document all table top disaster recovery tests as they are performed.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

06-6. **FINDING** (Inadequate controls over personnel services)

The Illinois Department of Healthcare and Family Services (Department) did not have adequate controls over personnel services. We noted the following:

- The Department did not conduct annual or probationary employee performance evaluations during fiscal year 2006 for 7 of 60 (12%) employees tested. The Illinois Administrative Code (80 Ill. Admin. Code 302.270 (d)) requires that, for a certified employee, each agency shall prepare an employee performance evaluation not less often than annually. In addition, the Illinois Administrative Code (80 Ill. Admin. Code 310.450(c)) requires that evaluations be completed prior to when annual merit increases are awarded. Further, the Illinois Administrative Code (80 Ill. Admin. Code 302.270 (b)) requires the Agency to prepare two evaluations for employees serving a six-month probationary period, one at the end of the third month and one fifteen days before the conclusion of the employee's six-month probationary period. Department management stated the Division of Personnel and Administrative Services continues to send reminders when evaluations are due and will not process any personnel transactions if the performance appraisal is past due.
- Documentation in a personnel file was inconsistent with the actual job duties that were performed and location for an employee hired September 22, 2005 at a salary of \$9,487/month. A new position was created on a Personnel Action Request Form that indicated this position was located at the Department's Office of Energy Assistance in Springfield. However, the Department's Employees by Office Location report indicated that the employee worked in the Director's Office in Chicago. During fieldwork, the auditors observed that the individual's office was located in the Governor's Office of Management and Budget in Chicago. The employee's position description dated May 16, 2006 indicated that an estimate of 20% of the employee's time should be spent supervising staff, assigning work, approving time off, and providing guidance and training for the Office of Energy Assistance. It was noted during fieldwork that this employee did not perform any of these functions during fiscal year 2006. Good business practices require appropriate job descriptions be used to fix responsibilities and line of authority. Department management stated a geographical transfer was processed in August 2006 and for efficiency, the individual was assigned as a liaison to the Governor's office to analyze and address energy assistance issues.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. By not ensuring performance appraisals are completed in a timely manner, the Department is in noncompliance with State rules, which might result in missing information that could be relevant to subsequent personnel decisions. Inconsistencies among an employee's physical work location and functions as required by the job description increases the risk that necessary services are not being provided. (Finding Code No. 06-6, 05-1)

**RECOMMENDATION**

We recommend the Department follow current procedures and comply with the Illinois Administrative Code by conducting employee performance evaluations in a timely manner. Further, the Department should ensure the duties and locations of all personnel are proper and agree to documentation maintained in the personnel files.

**DEPARTMENT RESPONSE**

The Department agrees that all employees are to be evaluated annually. The Division of Personnel and Administrative Services will continue to send out notifications to the Division Administrators and Personnel Liaisons indicating when evaluations are due. Past due reminders will also be sent out by the Division of Personnel and Administrative Services. As the evaluations are completed and submitted to the Division of Personnel and Administrative Services, the records will be marked as received and filed in the employee's personnel file. Personnel will continue to track employee evaluations in an effort to reduce the number that are not completed and signed in a timely manner. The Agency will not process any merit compensation personnel transactions (i.e., promotions, separations, transfers, etc.), with the exception of address changes, if the employee's performance appraisal is past due.

We agree that good business practices require appropriate job descriptions be used. Therefore, a geographical transfer was processed and an interagency agreement was entered into between Healthcare and Family Services and the Governor's Office regarding energy assistance.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

06-7. **FINDING** (Grants not approved or closed out timely)

The Illinois Department of Healthcare and Family Services (Department) did not approve or close out Low Income Home Energy Assistance Program (LIHEAP) and Illinois Home Weatherization Assistance Program (IHWAP) grants in a timely manner. We noted the following during detail testing of LIHEAP and IHWAP grant agreements:

- Forty-five of 46 (98%) LIHEAP and IHWAP grant agreements were not signed by the Director of the Department until 31 to 63 days after the effective date of the grant agreement. Good business practices require that grants be approved by all involved parties prior to the effective date of the grant agreements. Department management stated the agreements were not executed timely due to delays in receiving budget information.
- Thirteen of 25 (52%) close out packages submitted to the Department by grantees were not reviewed by the Department until 95 to 216 days after the close out date. Good business practices require timely review of fiscal reports to ensure their accuracy. Department management stated the delays were due to a lack of program personnel having the expertise to review and approve the close out packages.

When written grant agreements are not finalized timely the risk that vendors may not provide necessary services to the State increases, which could cause delays in the State providing mandated services. Failure to review grant close out packages timely could result in the loss of State funds. (Finding Code No. 06-7)

**RECOMMENDATION**

We recommend the Department ensure written agreements are executed in a timely manner. Further, the Department should implement procedures to ensure all closeout packages submitted by grantees are timely reviewed and approved.

**DEPARTMENT RESPONSE**

The Department accepts the finding. Increased effort will be made to ensure that all future grant agreements are processed in a timely fashion. Office of Energy Assistance is also in the process of attempting to add additional accounting staff with the proper expertise in the area of grant closeouts to ensure that the closeouts are processed in a timely fashion.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

06-8. **FINDING** (Reports of reorganization not filed as required)

The Illinois Department of Healthcare and Family Services (Department) did not file reports with the General Assembly regarding reorganization as required.

During the prior audit period, Executive Order 2004-3, *Executive Order to Reorganize Agencies by the Transfer of Certain Programs of the Department of Commerce and Economic Opportunity and the Department of Revenue to the Department of Public Aid and the Department on Aging* transferred the powers, duties, rights and responsibilities related to Energy Assistance and the Circuit Breaker/Pharmaceutical Program which was effective July 1, 2004. The Department did not submit their annual reorganization report that was due to the General Assembly by January 1, 2006 in a timely manner. The Department submitted the Energy Assistance annual report on June 2, 2006, and the Circuit Breaker/Pharmaceutical Program annual report on July 28, 2006.

During the current audit period, Executive Order 2005-3, *Executive Order to Reorganize Agencies by the Transfer of Certain Healthcare Procurement and Administrative Functions Primarily of the Department of Central Management Services to the Department of Healthcare and Family Services* transferred the respective powers, duties, rights, and responsibilities related to State Healthcare Purchasing from the Department of Central Management Services, the Department of Corrections, the Department of Human Services and the Department of Veteran's Affairs to the Department. This Executive Order was effective July 1, 2005. The Department did not submit their six-month reorganization report that was due to the General Assembly by January 1, 2006 until March 2, 2006.

The Executive Reorganization Implementation Act (Act) (15 ILCS 15/11) requires every State agency created or assigned new functions pursuant to a reorganization to report to the General Assembly no later than six months after the reorganization takes effect and annually thereafter for three years.

Department management stated that once the Department became aware of the requirement for the reorganization reports, time was needed for drafting the reports and conducting internal reviews, which accounted for the delay in submitting the remaining reports.

Failure to submit required reorganization reports to the General Assembly limits their ability to monitor the effects of the reorganization on the State or to be able to consider future legislation relating to the reorganization that may be necessary. (Finding Code No. 06-8, 05-5)

**RECOMMENDATION**

We recommend the Department file reports with the General Assembly within six months of a reorganization taking effect pursuant to the Act and annually thereafter for three years. In addition, we recommend past due reports be filed promptly.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

**DEPARTMENT RESPONSE**

The Department agrees with this finding and has filed the six-month reorganization reports as well as the first two annual reports. Additionally, the Department has taken steps to ensure that the third annual reports will be timely filed.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

06-9. **FINDING** (Inadequate contract terms and supporting documentation)

The Illinois Department of Healthcare and Family Services (Department) entered into contracts without adequate terms and did not maintain adequate documentation to support professional expenditures to consultants for Healthcare Purchasing.

Executive Order 2005-3, *Executive Order to Reorganize Agencies by the Transfer of Certain Healthcare Procurement and Administrative Functions Primarily of the Department of Central Management Services to the Department of Healthcare and Family Services*, transferred the respective powers, duties, rights, and responsibilities related to State healthcare purchasing from the Department of Central Management Services (DCMS) to the Department.

During detail testing of contracts we noted the following:

- The Department entered into a contract for \$175/hr for which the Department expended \$187,775 during fiscal year 2006 for consulting services. The description of services on the contract was vague and stated “the services were to be for all matters relating to the transfer and administration of group health insurance functions and healthcare purchasing from DCMS to the Department, but not limited to procurement development, rate development and negotiation.” The only documentation submitted by the consultants was the total number of hours and the time period. The supporting documentation was not approved by an individual within the Department indicating that the consultant actually worked the number of hours indicated on the support.
- The Department entered into a contract for \$200/hr totaling \$25,000 for management consulting for the Local Government Health Plan with the description “Medical Consulting for Healthcare Purchasing.” Two invoices totaling \$25,000 did not contain adequate documentation to substantiate the hours worked or work product completed. A list of hours and tasks completed was submitted with the invoices, but no dates or Department review and approval of the services was maintained.

Department management stated that prior to the transfer to the Department, a different area within the Department of Central Management Services performed approval of the consulting contract services. After the transfer, the Office of Healthcare Purchasing assumed these responsibilities as a new function.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

Good business practices require that all contractual agreements contain terms that are definite and certain to promote mutual performance of both contracting parties. Further, the Statewide Accounting Management System (SAMS) (Procedure 15.20.70) requires a reasonably detailed description of services to be rendered. In addition, the Statewide Accounting Management System (SAMS) (Procedure 17.10.20) requires that each State agency maintain all supporting documentation necessary to substantiate their expenditures.

Inadequate contract terms reduce the reliability of contract performance in accordance with the Department's intent. In addition, insufficient documentation of contract services increases the risk that payments could be made for services not provided. (Finding Code No. 06-9)

**RECOMMENDATION**

We recommend the Department require and maintain sufficient documentation to ensure services contracted for have been provided and that the expenditures are reasonable and necessary.

**DEPARTMENT RESPONSE**

The Department accepts the finding. The Office of Healthcare Purchasing's contract administrators are closely monitoring the contract(s) usage and the required detail supporting documentation that is required from the consultant. The contract administrators are taking all steps to make sure the documents are detailed and accurate prior to the approval and payment of services.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF FINDINGS (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

- 06-10. **FINDING** (Failure to implement reimbursement methodology for demonstration programs and failure to submit annual report)

The Illinois Department of Healthcare and Family Services (Department) did not continue the implementation of reimbursement methodology for demonstration programs or submit an annual report to the Illinois Department of Public Health (IDPH).

The Alternate Healthcare Delivery Act was intended to foster new innovations in health care delivery through the development of demonstration projects to license and study alternative health care delivery systems.

The Alternate Healthcare Delivery Act (Act) (210 ILCS 3/30) requires the Department to cooperate with the Illinois Department of Public Health (IDPH) to develop and implement a reimbursement methodology for all facilities in the demonstration program. In addition, the Department is required to keep a record of services provided under the demonstration program to recipients of medical assistance under the Illinois Public Aid Code and submit an annual report of that information to IDPH.

Department management stated that although program rules were drafted, they were not submitted to the Joint Committee on Administrative Rules. Department management further stated that because no reimbursement requests were received, the Department has no information on the services provided to report to IDPH. Finally, Department management stated that they have requested changes to the Act, and will continue their efforts to revise the mandate in the future.

Failure to implement the reimbursement methodology, keep a record of the services, and submit an Annual Report to IDPH could result in the failure to identify the benefits and efficiencies in the delivery of alternative models of health care delivery and further savings in the area. (Finding Code No. 06-10, 05-8)

**RECOMMENDATION**

We recommend the Department in coordination with the IDPH implement a reimbursement methodology for all facilities in the demonstration program, keep records of services, and submit an Annual Report to IDPH or continue to seek revisions to the legislation.

**DEPARTMENT RESPONSE**

The Department agrees that it has not yet adopted rules for the demonstration program. The Department notes that no provider licensed under the demonstration program has sought reimbursement for these services. If the Act is not amended, the Department will propose rule.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)**  
For the Year Ended June 30, 2006

06-11. **FINDING** (State Disbursement Unit outstanding checks)

During the prior audit, the Department's State Disbursements Unit bank account reconciliation at June 30, 2005 included old outstanding checks. The Department did not have policy or procedures in place to handle its old outstanding checks.

During the current audit, the Department implemented procedures to address all outstanding checks over 180 days old. (Finding Code No. 05-3)

06-12. **FINDING** (Failure to sign interagency agreements prior to the effective date)

During the prior audit, the Department failed to sign interagency agreements prior to the effective date.

During the current audit, the Department improved their procedures to ensure interagency agreements were signed prior to the effective date. However, during our testing we noted instances where the interagency agreements were not signed prior to the effective date. This finding has been moved to the immaterial letter. (Finding Code No. 05-4)

06-13. **FINDING** (Improper controls over signature authority)

During the prior audit, the Department did not rescind signature authorization for individuals no longer employed by or under agreement with the Department.

During the current audit, the Department timely rescinded signature authorization for individuals no longer employed by or under agreement with the Department. (Finding Code No. 05-6)

06-14. **FINDING** (Inadequate controls to ensure excess funds are transferred to the General Revenue Fund)

During the prior audit, the Department did not have adequate controls to ensure excess funds in the University of Illinois Hospital Fund were transferred to the General Revenue Fund.

During the current audit, the Department implemented procedures to review the balance in the University of Illinois Hospital Fund each month and transfer any excess funds to the General Revenue Fund in a timely manner. (Finding Code No. 05-7)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**STATUS OF MANAGEMENT AUDIT**  
For the Year Ended June 30, 2006

**Program Audit of the Illinois Department of Public Aid's KidCare Program**

The Illinois Department of Healthcare and Family Services (Department) (formerly the Department of Public Aid) has fully implemented six recommendations; however, it had not fully implemented the remaining recommendation contained in the OAG's *Program and Management Audit of the Illinois Department of Public Aid's KidCare Program*, released in July 2002. The program and management audit tested a variety of KidCare areas including: the enrollment process, KidCare spending, eligibility cards, case files, outreach and advertising, contractor effectiveness, bid status of contracts, and the overall health of enrolled children. The program and management audit was conducted pursuant to Senate Resolution 152.

The following discusses the status of the remaining recommendation not implemented from the 2002 program and management audit. The action taken by the Department to implement the recommendation is also described below.

- The Department should continue its planned conversion to permanent durable eligibility cards in order to realize significant cost savings to the State as well as improved program effectiveness. (Program and Management Audit Recommendation Number 1)

*Partially Implemented:* The Department has begun to transition providers to an annual card system where providers will have to perform an eligibility inquiry for every recipient. This is a step toward eliminating dates of coverage on the medical cards as will be necessary when the Department moves to issuing annual cards.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2006

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the Illinois Department of Healthcare and Family Services was performed by the Office of the Auditor General.

Based on their audit, the auditors expressed an unqualified opinion on the Department's basic financial statements.

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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland  
Auditor General  
State of Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Healthcare and Family Services, as of and for the year ended June 30, 2006, which collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Department of Healthcare and Family Services' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Department of Healthcare and Family Services are intended to present the financial position and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Healthcare and Family Services. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2006, and its changes in financial position including cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Healthcare and Family Services, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

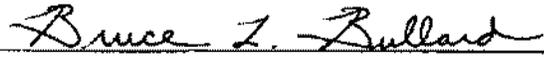
In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2007 on our consideration of the State of Illinois, Department of Healthcare and Family Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Local Government Health Insurance Reserve Fund – Schedule of Claims for the Ten Years Ended June 30, 2006, Teacher Health Insurance Security Fund – Schedule of Claims for the Ten Years Ended June 30, 2006, and Community College Health Insurance Security Fund – Schedule of Claims for the Eight Years Ended June 30, 2006 on pages 67 through 69 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The State of Illinois, Department of Healthcare and Family Services has not presented a management's discussion and analysis and budgetary comparison information for the General Revenue Fund and the Road Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Department of Healthcare and Family Services' basic financial statements. The accompany supplementary combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

January 8, 2007

**State of Illinois**  
**Department of Healthcare and Family Services**

**Statement of Net Assets**

June 30, 2006 (Expressed in Thousands)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Unexpended appropriations	\$ 190,012	\$ -	\$ 190,012
Cash equity with State Treasurer	255,389	83,427	338,816
Cash and cash equivalents	70,043	9,847	79,890
Due from other government - federal	1,403,934	11,259	1,415,193
Due from other government - local	132,614	-	132,614
Taxes receivable, net	5,712	-	5,712
Other receivables, net	112,687	14,114	126,801
Internal balances	5	(5)	-
Due from other State funds	78,572	-	78,572
Due from State of Illinois component units	33,031	-	33,031
Prepaid expenses	983	-	983
Capital assets being depreciated, net	3,688	-	3,688
<b>Total assets</b>	<u>2,286,670</u>	<u>118,642</u>	<u>2,405,312</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	2,392,230	39,655	2,431,885
Due to other government - federal	7,461	2	7,463
Due to other government - local	315,363	-	315,363
Due to other State fiduciary funds	459	2	461
Due to other State funds	18,398	27	18,425
Due to State of Illinois component units	50,863	-	50,863
Deferred revenue	308	10	318
Long term obligations:			
Due within one year	660	2	662
Due subsequent to one year	10,848	120	10,968
<b>Total liabilities</b>	<u>2,796,590</u>	<u>39,818</u>	<u>2,836,408</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,688	-	3,688
Restricted for health and social services	1,527	-	1,527
Unrestricted	(515,135)	78,824	(436,311)
<b>Total net assets</b>	<u>\$ (509,920)</u>	<u>\$ 78,824</u>	<u>\$ (431,096)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Statement of Activities**

For the Year Ended June 30, 2006 (Expressed in Thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Operating Grants and Contributions	Charges for Services	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>						
Governmental activities						
Health and social services	\$ 12,586,240	\$ 6,891,381	\$ 1,573,631	\$ (4,121,228)	\$	\$ (4,121,228)
Total governmental activities	<u>12,586,240</u>	<u>6,891,381</u>	<u>1,573,631</u>	<u>(4,121,228)</u>		<u>(4,121,228)</u>
Business-type activities						
Insurance programs	409,726	-	421,950		\$ 12,224	12,224
Total business-type activities	<u>409,726</u>	<u>-</u>	<u>421,950</u>		<u>12,224</u>	<u>12,224</u>
<b>Total primary government</b>	<b>\$ 12,995,966</b>	<b>\$ 6,891,381</b>	<b>\$ 1,995,581</b>			<b>(4,109,004)</b>
<b>General revenues</b>						
Appropriations from State Resources				8,256,007	-	8,256,007
Lapsed appropriations				(242,581)	-	(242,581)
Receipts collected and transmitted to State Treasury				(4,511,092)	-	(4,511,092)
Other taxes				251,877	-	251,877
Interest and investment income				8,829	3,300	12,129
Other revenues				380,682	11,259	391,941
Amount of SAMS transfer-in				(87,210)	-	(87,210)
Amount of SAMS transfer-out				44,700	-	44,700
Transfers-in				259,748	-	259,748
Transfers-out				(48,571)	-	(48,571)
Transfer of administration of funds from other State agencies				277	52,041	52,318
Total general revenues and transfers				<u>4,312,666</u>	<u>66,600</u>	<u>4,379,266</u>
Change in net assets				191,438	78,824	270,262
Net assets, July 1, 2005				(701,358)	-	(701,358)
Net assets, June 30, 2006				<u>\$ (509,920)</u>	<u>\$ 78,824</u>	<u>\$ (431,096)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Governmental Funds Balance Sheet**

June 30, 2006 (Expressed in Thousands)

	General Fund	Road Fund	Other Non-major Funds	Total
<b>ASSETS</b>				
Unexpended appropriations	\$ 89,070	-	\$ 100,942	\$ 190,012
Cash equity with State Treasurer	198,498	-	39,905	238,403
Cash and cash equivalents	383	-	-	383
Due from other government - federal	1,214,106	-	170,160	1,384,266
Due from other government - local	132,614	-	-	132,614
Taxes receivable, net	5,712	-	-	5,712
Other receivables, net	90,885	-	10,484	101,369
Due from other State funds	3,715	-	1	3,716
Due from State of Illinois component units	25,144	-	-	25,144
<b>Total assets</b>	<b>\$ 1,760,127</b>	<b>-</b>	<b>\$ 321,492</b>	<b>\$ 2,081,619</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,041,583	-	\$ 150,910	\$ 2,192,493
Due to other government - federal	751	-	6,705	7,456
Due to other government - local	304,667	-	10,696	315,363
Due to other State fiduciary funds	251	-	205	456
Due to other Department funds	80	-	545	625
Due to other State funds	12,426	-	5,017	17,443
Due to State of Illinois component units	50,863	-	-	50,863
Unavailable revenue	635,997	-	38	636,035
Deferred revenue	308	-	-	308
<b>Total liabilities</b>	<b>\$ 3,046,926</b>	<b>-</b>	<b>\$ 174,116</b>	<b>\$ 3,221,042</b>
<b>FUND BALANCES (DEFICITS)</b>				
Reserved for encumbrances	32	-	10	42
Unreserved:				
General fund	(1,286,831)	-	-	(1,286,831)
Special revenue funds	-	-	147,366	147,366
<b>Total fund balances (deficits)</b>	<b>(1,286,799)</b>	<b>-</b>	<b>147,376</b>	<b>(1,139,423)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,760,127</b>	<b>-</b>	<b>\$ 321,492</b>	<b>\$ 2,081,619</b>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Assets**  
**June 30, 2006**  
**(Expressed in Thousands)**

<b>Total fund balances-governmental funds</b>	<b>\$ (1,139,423)</b>
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,688
Prepaid expenses for governmental activities are current uses of financial resources for funds.	983
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.	636,035
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:	
Compensated absences	<u>(11,203)</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ (509,920)</u></u></b>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance -**  
**Governmental Funds**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	General Fund	Road Fund	Other Non-major Funds	Total
<b>REVENUES</b>				
Operating grants - federal	\$ 5,517,134	-	\$ 516,772	\$ 6,033,906
Other operating grants	969,163	-	2,002	971,165
Licenses and fees	4,376	-	719	5,095
Other charges for services	-	-	21,798	21,798
Interest and other investment income	4,728	-	-	4,728
Other taxes	252,482	-	-	252,482
Other	350,803	-	13	350,816
<b>Total revenues</b>	<b>7,098,686</b>	<b>-</b>	<b>541,304</b>	<b>7,639,990</b>
<b>EXPENDITURES</b>				
Health and social services	10,003,520	126,113	881,054	11,010,687
Capital outlays	342	-	234	576
<b>Total expenditures</b>	<b>10,003,862</b>	<b>126,113</b>	<b>881,288</b>	<b>11,011,263</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,905,176)</b>	<b>(126,113)</b>	<b>(339,984)</b>	<b>(3,371,273)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>				
Appropriations from State resources	7,506,965	126,113	622,929	8,256,007
Lapsed appropriations	(153,865)	-	(88,716)	(242,581)
Receipts collected and transmitted to State Treasury	(4,406,980)	-	(104,112)	(4,511,092)
Amount of SAMS transfers-in	(87,210)	-	-	(87,210)
Amount of SAMS transfers-out	44,700	-	-	44,700
Transfers-in	273,548	-	31,008	304,556
Transfers-out	(61,150)	-	(15,453)	(76,603)
Transfer of administration of funds from other State agencies	-	-	277	277
<b>Net other sources (uses) of financial resources</b>	<b>3,116,008</b>	<b>126,113</b>	<b>445,933</b>	<b>3,688,054</b>
<b>Net change in fund balances</b>	<b>210,832</b>	<b>-</b>	<b>105,949</b>	<b>316,781</b>
Fund balances (deficits), July 1, 2005	(1,497,631)	-	41,427	(1,456,204)
<b>FUND BALANCES (DEFICITS), JUNE 30, 2006</b>	<b>\$ (1,286,799)</b>	<b>\$ -</b>	<b>\$ 147,376</b>	<b>\$ (1,139,423)</b>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Reconciliation of Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to Statement of Activities**  
**For the Year Ended June 30, 2006**  
**(Expressed in Thousands)**

<b>Net change in fund balances</b>	<b>\$ 316,781</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation in the current period exceeded capital outlays.	(2,066)
Prepaid expenses in the Statement of Activities are not reported as expenses in governmental funds. This amount represents the decrease in prepaid expenses over the prior year.	(302)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.	(122,402)
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, losses from the sale of capital assets are also reported. This is the amount the losses from the sale of capital assets exceeded proceeds.	(20)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.	
Increase in compensated absences obligation	(553)
<b>Change in net assets of governmental activities</b>	<b>\$ 191,438</b>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**

**Statement of Net Assets -**  
**Proprietary Funds**

June 30, 2006 (Expressed in Thousands)

	<b>Business-Type Activities - Enterprise Funds Non-major Proprietary Funds</b>	<b>Governmental Activities - Internal Service Fund Health Insurance Reserve Fund</b>
<b>ASSETS</b>		
Cash equity with State Treasurer	\$ 83,427	\$ 16,986
Cash and cash equivalents	9,847	69,660
Due from other government - federal	11,259	19,668
Other receivables, net	14,114	11,318
Due from other Department funds	-	630
Due from other State funds	-	74,856
Due from State of Illinois component units	-	7,887
<b>Total assets</b>	<b>118,647</b>	<b>201,005</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	39,655	199,737
Due to other government - federal	2	5
Due to other State fiduciary funds	2	3
Due to other Department funds	5	-
Due to other State funds	27	955
Deferred revenue	10	-
Current portion of long-term obligations	2	55
<b>Total current liabilities</b>	<b>39,703</b>	<b>200,755</b>
Noncurrent portion of long-term obligations	120	250
<b>Total liabilities</b>	<b>39,823</b>	<b>201,005</b>
<b>NET ASSETS</b>		
Unrestricted	78,824	-
<b>Total net assets</b>	<b>\$ 78,824</b>	<b>\$ -</b>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**

**Department of Healthcare and Family Services**

**Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Proprietary Funds**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	<b>Business-Type Activities - Enterprise Funds Non-major Proprietary Funds</b>	<b>Governmental Activities - Internal Service Fund Health Insurance Reserve Fund</b>
<b>OPERATING REVENUES</b>		
Charges for sales and services	\$ 410,456	\$ 1,563,866
Other	11,494	18,411
<b>Total operating revenues</b>	<u>421,950</u>	<u>1,582,277</u>
<b>OPERATING EXPENSES</b>		
Benefit payments and refunds	407,361	1,575,736
General and administrative	2,365	13,534
<b>Total operating expenses</b>	<u>409,726</u>	<u>1,589,270</u>
<b>Operating income (loss)</b>	12,224	(6,993)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment income	3,300	4,101
Other revenues	11,259	19,668
<b>Income (loss) before contributions and transfers</b>	26,783	16,776
Transfers-out	-	(16,776)
Transfer of administration of funds from other State agencies	52,041	-
<b>Change in net assets</b>	78,824	-
Net assets, July 1, 2005	-	-
<b>NET ASSETS, JUNE 30, 2006</b>	<u>\$ 78,824</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**

**Statement of Cash Flows -**  
**Proprietary Funds**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	<b>Business-Type Activities - Enterprise Funds Non-major Proprietary Funds</b>	<b>Governmental Activities - Internal Service Fund Health Insurance Reserve Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from sales and services	\$ 411,644	\$ 250,093
Cash received from transactions with other funds	-	1,406,661
Cash payments to suppliers for goods and services	(416,243)	(1,633,999)
Cash payments to employees for services	(1,813)	(3,263)
Cash receipts from other operating activities	9,975	29,155
Net cash provided (used) by operating activities	<u>3,563</u>	<u>48,647</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers-out to other funds	-	(16,776)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(16,776)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends on investments	3,186	3,967
Net cash provided (used) by investing activities	<u>3,186</u>	<u>3,967</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	6,749	35,838
Cash and cash equivalents, July 1, 2005	<u>86,525</u>	<u>50,808</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2006</b>	<u>\$ 93,274</u>	<u>\$ 86,646</u>
<b>Reconciliation of cash and cash equivalents to the statement of net assets:</b>		
Total cash and cash equivalents per the statement of net assets	\$ 9,847	\$ 69,660
Add: cash equity with State Treasurer	83,427	16,986
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2006</b>	<u>\$ 93,274</u>	<u>\$ 86,646</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 12,224</u>	<u>\$ (6,993)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,114)	(2,940)
(Increase) decrease in intergovernmental receivables	103	-
(Increase) decrease in due from other funds	272	90,212
(Increase) decrease in due from State of Illinois component units	-	3,225
Increase (decrease) in accounts payable and accrued liabilities	(4,964)	(34,478)
Increase (decrease) in intergovernmental payables	2	(5)
Increase (decrease) in due to other funds	19	(417)
Increase (decrease) in deferred revenues	10	-
Increase (decrease) in other liabilities	11	43
Total adjustments	<u>(8,661)</u>	<u>55,640</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 3,563</u>	<u>\$ 48,647</u>

The accompanying notes to the financial statements are an integral part of this statement.

**State of Illinois**  
**Department of Healthcare and Family Services**

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**Statement of Fiduciary Net Assets**

June 30, 2006 (Expressed in Thousands)

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash equity with State Treasurer	\$ 8,607
Cash and cash equivalents	1,855
Other receivables, net	157,731
<b>Total assets</b>	<u>\$ 168,193</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 11,199
Other liabilities	156,994
<b>Total liabilities</b>	<u>\$ 168,193</u>

The accompanying notes to the financial statements are an integral part of this statement.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2006

**(1) Organization**

The Department of Healthcare and Family Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources primarily from the State's General Revenue Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of various locally-held portions of health insurance funds and the Child Support Enforcement Trust Fund - SDU.

The Department is organized to provide for the improvement of the lives of Illinois' families through healthcare coverage, child support enforcement, and energy assistance and employees of the State of Illinois and other local governments and schools through group insurance plan administration.

**(2) Summary of Significant Accounting Policies**

The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

**(a) Financial Reporting Entity**

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871.

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2006

**(b) Basis of Presentation**

The financial statements of the State of Illinois, Department of Healthcare and Family Services, are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the governmental and business-type activities, by each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Government-wide Statements.** The government-wide statement of net assets and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. These statements distinguish between the *governmental* and *business-type* activities of the Department. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the assets and liabilities of the Department's governmental and business-type activities with the difference being reported as net assets. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Department and for the health and social services function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements.** The fund financial statements provide information about the Department's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Department administers the following major governmental fund (or portions thereof in the case of shared funds - see note 2(d)) of the State:

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2006

**General** – This is the State’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the Department and accounted for in the General Fund include, among others, promoting access to quality healthcare and child support. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The Department’s portion of the General Fund is composed of five primary sub-accounts (General Revenue, U of I Hospital Services, County Hospital Services, Long-Term Care Provider, and Hospital Provider) and thirteen secondary sub-accounts.

**Road** – This fund accounts for the activities of the Department for payment to the Health Insurance Reserve Fund for allocated costs associated with providing medical and dental benefits for State employees paid from the Road Fund.

Additionally, the Department reports the following fund types:

**Governmental Fund Types:**

**Special Revenue** – These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purposes.

**Proprietary Fund Types:**

**Enterprise** – These funds account for operations where the intent of the Department is that the cost of providing goods or services for health insurance programs on a continuing basis be financed or recovered primarily through user charges.

**Internal Service** – This fund accounts for medical and dental benefits for State employees provided to agencies of the State on a reimbursement basis.

**Fiduciary Fund Types:**

**Agency** – These funds account for transactions related to assets collected by the Department, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

**(c) *Measurement Focus and Basis of Accounting***

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include nursing home assessments, hospital assessments, and intergovernmental grants. On an accrual

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2006

basis, revenues from the nursing home assessments are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, 1) principal and interest on formal debt issues, such as bonds and capital leases, are recorded only when payment is due and 2) compensated absences and claims and judgments are recorded when they are expected to be liquidated with expendable available financial resources. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include the nursing home assessment, federal matching revenues, drug rebates, intergovernmental transfer agreement revenues, insurance charges, and child support. Other miscellaneous revenue sources are considered to be measurable and available only when cash is received.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State has elected not to follow subsequent private-sector guidance as it relates to the Department's operations.

**(d) *Shared Fund Presentation***

The financial statement presentation for the General Revenue, Care Provider Fund for Persons with Developmental Disabilities, and Trauma Center Accounts of the General Fund, the Road Fund, and the Supplemental Low Income Energy Assistance Fund and the Tobacco Settlement Recovery Fund, nonmajor governmental funds, represent only the portion of the shared fund that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

**STATE OF ILLINOIS**  
**DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2006

Unexpended Appropriations

This “asset” account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This “other financing source” account represents the final legally adopted appropriation according to SAMS records.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records.

Receipts Collected and Transmitted to State Treasury

This “other financing use” account represents all cash receipts received during the fiscal year from SAMS records.

Amount of SAMS Transfers-In

This “other financing use” account represents cash transfers made by the Office of the Comptroller in accordance with statutory provisions to the corresponding fund during the fiscal year per SAMS records in which the Department did not make a deposit into the State Treasury.

Amount of SAMS Transfers-Out

This “other financing source” account represents cash transfers made by the Office of the Comptroller in accordance with statutory provision from the corresponding fund during the fiscal year per SAMS records in which a legally adopted appropriation was not charged.

**(e) *Eliminations***

Eliminations have been made in the government-wide statement of net assets to minimize the “grossing-up” effect on assets and liabilities within the governmental activities column of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net assets. Amounts reported in the governmental funds balance sheet and proprietary funds statement of net assets as receivable from or payable to fiduciary funds have been included in the government-wide statement of net assets as receivable from and payable to external parties, rather than as internal balances.

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**(f) Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents include cash on hand and cash in banks for locally held funds.

**(g) Investments**

Investments are reported at fair value.

**(h) Interfund Transactions and Transactions with State of Illinois Component Units**

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

***Services provided and used***—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet and the proprietary and government-wide statements of net assets.

***Reimbursements***—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

***Transfers***—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

The Department also has activity with the University of Illinois, a State of Illinois component unit, for medical programs and intergovernmental transfer agreements administered by the University and with various component units of the State of Illinois for on-behalf employee benefits paid.

**(i) Capital Assets**

Capital assets, which include property, plant, and equipment, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

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Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life (in Years)
Equipment	\$5,000	3-10 years

**(j) *Compensated Absences***

The liability for compensated absences reported in the government-wide and the proprietary fund statement of net assets consists of unpaid, accumulated vacation and sick leave balances for Department employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare taxes).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

**(k) *Fund Balances***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative State plans that are subject to change.

**(l) *Net Assets***

In the government-wide and the proprietary statement of net assets, equity is displayed in three components as follows:

***Invested in Capital Assets*** – This consists of capital assets, net of accumulated depreciation.

***Restricted*** – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

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**Unrestricted** – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets.”

**(m) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(n) Health Benefits Claims Processing**

By State statute, the Department is responsible for administering the State’s health benefit programs. The Department contracts with third party administrators to process health, dental and prescription claims submitted by healthcare service providers relating to the applicable self-insured portions of the health benefit programs accounted for in the Local Government Health Insurance Reserve Fund, Teacher Health Insurance Security Fund, Community College Health Insurance Security Fund and Health Insurance Reserve Fund. It is the Department’s policy to recognize claims expense and accrue any unpaid liability relating to claims incurred but not reported (IBNR) based on actuarial projections and reports of processed claims provided by the third-party administrators.

**(o) New Accounting Pronouncements**

Effective for the year ended June 30, 2006 the State adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which established accounting and financial reporting standards for the impairment of capital assets. There was no significant impact on the Department’s financial statements as a result of adopting this statement.

Effective for the year ended June 30, 2006 the State adopted GASB Statement No. 47, *Accounting for Termination Benefits*, which established accounting and financial reporting standards for termination benefits. There was no significant impact on the Department’s financial statements as a result of adopting this statement.

**(3) Deposits and Investments**

**(a) Deposits**

The State Treasurer is the custodian of the State’s cash and cash equivalents for funds maintained in the State Treasury. These deposits are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11).

Cash on deposit for locally held funds of governmental and business-type activities had a carrying amount of \$33.621 million and bank balance of \$205 thousand at June 30, 2006. The

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Department does not have a deposit policy for custodial credit risk. Of the total bank balance, \$15 thousand was exposed to custodial credit risk as uninsured and uncollateralized.

Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments are available within the State of Illinois' Comprehensive Annual Financial Report.

**(b) Investments**

As of June 30, 2006, the Department had the following investments outside of the State Treasury:

	<b>Fair Value (Thousands)</b>	<b>Book Value (Thousands)</b>	<b>Weighted Average Maturity (Years)</b>
<b><i>Governmental and Business-Type Activities</i></b>			
Repurchase agreements	\$ 4,170	\$ 4,170	0.003
Money market mutual funds	41,761	41,761	0.003
Illinois Public Treasurers' Investment Pool	<u>338</u>	<u>338</u>	0.087
Total fixed income investments	<u>\$ 46,269</u>	<u>\$ 46,269</u>	
<b><i>Fiduciary Funds</i></b>			
Repurchase agreements	<u>\$ 13,257</u>	<u>\$ 1,855</u>	0.003
Total fixed income investments	<u>\$ 13,257</u>	<u>\$ 1,855</u>	

**Interest Rate Risk:** The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial Credit Risk:** The Department does not have a formal investment policy for custodial credit risk.

**Credit Risk:** The Department does not have a formal investment policy that limits investment choices. The Governmental and Business-Type activities repurchase agreements were rated Aaa by Moody's and the Money Market Mutual Funds were rated AAAM by Standard and Poor's. The Illinois Public Treasurers' Investment Pool was rated AAAM by Standard & Poor's. The Fiduciary Funds repurchase agreements were not rated.

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**(c) Reconciliation to Statement of Net Assets and Statement of Fiduciary Net Assets**

The Statement of Net Assets and Statement of Fiduciary Net Assets account cash and cash equivalents contains certain short-term investments (included as investments above) to reflect their liquidity. A reconciliation (amounts expressed in thousands) follows:

<i>Governmental and Business-Type Activities</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ 33,621	\$ 46,269
Cash equivalents	<u>46,269</u>	<u>(46,269)</u>
<b>Amounts per Statement of Net Assets</b>	<u><u>\$ 79,890</u></u>	<u><u>\$ -</u></u>
<i>Fiduciary Funds</i>	<u>Deposits</u>	<u>Investments</u>
Amounts Per Note	\$ -	\$ 1,855
Cash equivalents	<u>1,855</u>	<u>(1,855)</u>
<b>Amounts per Statement of Fiduciary Net Assets</b>	<u><u>\$ 1,855</u></u>	<u><u>\$ -</u></u>

**(4) Accounts Receivable**

**(a) Taxes Receivable**

Taxes receivable (amounts expressed in thousands) at June 30, 2006 are as follows:

	<u>General Fund</u>
Taxes receivable	\$ 8,639
Less: allowance for uncollectible taxes	<u>(2,927)</u>
<b>Taxes receivable, net</b>	<u><u>\$ 5,712</u></u>

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**(b) Other Receivable**

Other receivables (amounts expressed in thousands) at June 30, 2006 are as follows:

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Non-major Proprietary Funds</u>	<u>Internal Service Funds</u>	<u>Agency Funds</u>
Other receivables	\$ 122,601	\$ 625,132	\$ 14,114	\$ 11,318	\$2,328,133
Less: allowance for uncollectible accounts	<u>(31,716)</u>	<u>(614,648)</u>	<u>-</u>	<u>-</u>	<u>(2,170,402)</u>
<b>Other receivables, net</b>	<u><u>\$ 90,885</u></u>	<u><u>\$ 10,484</u></u>	<u><u>\$ 14,114</u></u>	<u><u>\$ 11,318</u></u>	<u><u>\$ 157,731</u></u>

**(5) Interfund Balances and Activity**

**(a) Balances Due to/from Other Funds**

The following balances (amounts expressed in thousands) at June 30, 2006 represent amounts due from Department funds and other State funds.

<u>Fund</u>	<u>Due from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	-	3,715	Due from other State funds for subgrants unreceived.
Nonmajor governmental funds	-	1	Due from other State funds for unexpended subgrants made.
Internal service funds	630	74,856	Due from other Department funds for insurance benefits.
	<u><u>\$ 630</u></u>	<u><u>\$ 78,572</u></u>	

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The following balances (amounts expressed in thousands) at June 30, 2006 represent amounts due to the Department's internal service fund for insurance benefits, to other State of Illinois funds for purchases of services, and to pension (and other employee benefit) trust funds for postemployment benefits.

<b>Fund</b>	<b>Due to</b>		
	<b>Other Department Funds</b>	<b>Other State Funds</b>	<b>Other State Fiduciary Funds</b>
General	\$ 80	\$ 12,426	\$ 251
Nonmajor governmental funds	545	5,017	205
Non-major proprietary funds	5	27	2
Internal service funds	-	955	3
	\$ 630	\$ 18,425	\$ 461

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**(b) Transfers to/from Other Funds**

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2006 were as follows:

<u>Fund</u>	<u>Transfers in from</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 13,800	\$ 259,748	Transfers from the Tobacco Settlement Fund for Medicaid programs.
Nonmajor governmental funds	31,008	-	Transfer from General Fund per State appropriation.
	<u>\$ 44,808</u>	<u>\$ 259,748</u>	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2006, were as follows:

<u>Fund</u>	<u>Transfers out to</u>		<u>Description/Purpose</u>
	<u>Other Department Funds</u>	<u>Other State Funds</u>	
General	\$ 31,008	\$ 30,142	Transfer to Department nonmajor governmental funds per State appropriation, transfer to State debt service funds, and transfers to assist State budget shortfalls.
Nonmajor governmental funds	13,800	1,653	Transfer to General Fund for Medicaid programs and transfers to assist State budget shortfalls.
Internal service funds	-	16,776	Transfer to State's General Fund to assist State budget shortfalls.
	<u>\$ 44,808</u>	<u>\$ 48,571</u>	

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**(c) Balances Due to/from State of Illinois Component Units**

The following balances (amounts expressed in thousands) at June 30, 2006 represent amounts due from State of Illinois Component Units to the General Fund for intergovernmental agreement reimbursements and to the internal service fund for health insurance charges.

<u>Fund</u>	<u>Due from</u>	
	<u>General Fund</u>	<u>Internal Service Fund</u>
Toll Highway Authority	\$ -	\$ 1,979
Chicago State University	-	299
Eastern Illinois University	-	68
Governors State University	-	243
Northeastern Illinois University	-	38
Western Illinois University	-	69
Illinois State University	-	70
Northern Illinois University	-	117
Southern Illinois University	-	233
University of Illinois	25,144	4,771
	<u>\$ 25,144</u>	<u>\$ 7,887</u>

The following balances (amounts expressed in thousands) at June 30, 2006 represent amounts due to State of Illinois Component Units.

<u>Fund</u>	<u>Due to</u>	
	<u>General Fund</u>	<u>Description/Purpose</u>
University of Illinois	\$ 50,863	Medicaid expenditure reimbursements.
	<u>\$ 50,863</u>	

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**(6) Capital Assets**

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2006 is as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Balance June 30, 2006</u>
Capital assets being depreciated:					
Equipment	\$ 25,367	\$ 576	\$ 1,433	\$ -	\$ 24,510
Less accumulated depreciation:					
Equipment	<u>19,593</u>	<u>2,642</u>	<u>1,413</u>	<u>-</u>	<u>20,822</u>
Total capital assets being depreciated, net	<u>5,774</u>	<u>(2,066)</u>	<u>20</u>	<u>-</u>	<u>3,688</u>
Governmental activity capital assets, net	<u>\$ 5,774</u>	<u>\$ (2,066)</u>	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 3,688</u>

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2006 was charged as follows:

Health and social services	\$ <u>2,642</u>
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**(7) Long-Term Obligations**

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2006 were as follows:

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	<b>Balance July 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2006</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>					
Compensated Absences	\$ 10,650	\$ 9,256	\$ 8,398	\$11,508	\$ 660
<b>Total governmental activities</b>	<b>\$ 10,650</b>	<b>\$ 9,256</b>	<b>\$ 8,398</b>	<b>\$11,508</b>	<b>\$ 660</b>
<b>Business-type activities:</b>					
Compensated Absences	\$ -	\$ 201	\$ 79	\$ 122	\$ 2
<b>Total business-type activities</b>	<b>\$ -</b>	<b>\$ 201</b>	<b>\$ 79</b>	<b>\$ 122</b>	<b>\$ 2</b>

Compensated absences have been liquidated by the applicable governmental funds that account for the salaries and wages of the related employees.

**(8) Pension Plan**

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2006 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2006, the employer contribution rate was 7.792%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees'

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and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

**(9) Post-employment Benefits**

The State provides health, dental, and life insurance benefits for certain retirees and their dependents. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to \$5,000 per annuitant age 60 and older. The total cost of health, dental, and life insurance benefits of all members, including post-employment health, dental, and life insurance benefits, is recognized as an expenditure for the State in the Illinois Comprehensive Annual Financial Report. The total costs incurred for health, dental, and life insurance benefits are not separated by Department for annuitants and their dependents nor active employees and their dependents.

**(10) Fund Deficits**

The General Fund had a deficit fund balance of \$1.287 billion at June 30, 2006. This deficit results from the liabilities recognized at June 30, 2006 of the Medicaid program which will be paid from future year appropriations. The deficit is expected to be eliminated through both future federal and other revenue sources of the State and the future recognition of unavailable deferred revenue recorded at June 30, 2006.

**(11) Risk Management**

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks except computer equipment insurance purchased by the Department.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

The Department administers the State of Illinois' risk management for employee and retiree health and dental insurance benefit programs of the State. The Department uses the Health Insurance Reserve Fund, an internal service fund, to account for employee and retiree health and dental insurance benefit programs of the State, which are partially self-funded. Employees of the State may obtain health care services through participation in the State's group health insurance plan or through membership in one of eight health maintenance organization plans under contract with the State. The State maintains the risk of insurance for employees who participate in the State's group health insurance plan. Expenses

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and liabilities for claims, which include incurred but not reported or not processed benefit claims, have been recorded as liabilities in the amount of \$199.419 million. Payments to the Health Insurance Reserve Fund are based on estimates of amounts needed to pay prior year unprocessed and current year claims.

The following is a reconciliation of the Department's claims liabilities for the year ended June 30, 2006.

<b>Year Ended June 30</b>	<b>Beginning Balance</b>	<b>Claims Incurred</b>	<b>Decreases</b>	<b>Ending Balance</b>
2006	\$ 229,903	\$ 948,966	\$ 979,450	\$ 199,419

**(12) Local Government Health Insurance Reserve Fund Risk Pool Disclosure**

The Local Government Health Insurance Reserve Fund (LGHIRF) was established to provide health and dental insurance to participating local governmental entities. As of June 30, 2006, there were 509 local governmental entities participating with approximately 7,270 employees, 5,047 dependents, and 385 retirees covered. Each participating local governmental unit is required to enter into a written agreement with the Department of Central Management Services (DCMS). The agreement sets forth the responsibilities of both parties. As a result of Executive Order #2005-3, the Department of Healthcare and Family Services shares these responsibilities with the DCMS. The responsibilities required of the DCMS are:

- Setting and adjusting premium rates
- Billing and collection of monthly premiums from local governmental units
- Enrollment and termination of members and dependents after notification by the local governmental unit
- Establishment of a Local Government Health Plan Advisory Board, consisting of seven advisors from the participating local governmental units

The responsibilities required of the Department of Healthcare and Family Services are:

- Establishment of the Local Government Health Insurance Fund
- Processing and payment of authorized claims

The responsibilities required of the local governmental units are:

- Enrollment of all employees and dependents that meet eligibility guidelines and who elect to participate
- Collection and transmission of monthly member and dependent premiums
- Designation of a Health Plan Representative
- Participation in the program for a minimum of two years

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The Local Government Health Insurance Reserve Fund (LGHIRF) had previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2006.

The basis used in calculating the estimated liability for future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2006, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amounts expressed in thousands) at June 30, 2006 is as follows:

Claims incurred and reported but not paid as of June 30	\$ 1,550
Estimated liability for claims incurred but not reported	3,954
Total estimated liability for future claims	<u>\$ 5,504</u>

A reconciliation of total benefit claim payments and refunds including claims adjustment expense is as follows (amounts expressed in thousands):

Payments made for benefit claims	\$ 67,112
Less: Liability for unpaid claims, beginning of year	7,951
Subtotal	<u>59,161</u>
Add: Liability for unpaid claims, end of year	5,504
Total benefit claim payments and refunds	<u>\$ 64,665</u>

**(13) Teacher Health Insurance Security Fund Risk Pool Disclosure**

The Teacher Health Insurance Security Fund (THISF) was established to provide health insurance for the Illinois Teachers' Retirement System (TRS) benefit recipients and dependent beneficiaries. As of June 30, 2006, there were approximately 48,348 annuitants and 8,974 dependents covered. As a result of Executive Order #2005-3, the responsibilities of DCMS in relation to the THISF were transferred to the Department. The Department works in conjunction with the Illinois Teachers' Retirement System to administer this plan. The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Teachers Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in administration of the fund

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The responsibilities required of the TRS are:

- Enrollment of annuitants and dependents that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of 0.8 percent contributions from active teachers and 0.6 percent contributions from school districts for program funding purposes

The THISF was created on July 1, 1995, but the health insurance program administered by the DCMS did not start until January 1, 1996. THISF had previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2006.

The basis used in calculating the estimated liability for future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2006, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amounts expressed in thousands) at June 30, 2006 is as follows:

Claims incurred and reported but not paid as of June 30	\$ 10,110
Estimated liability for claims incurred but not reported	21,282
Total estimated liability for future claims	<u>\$ 31,392</u>

A reconciliation of total benefit claim payments and refunds including claims adjustment expense is as follows (amounts expressed in thousands):

Payments made for benefit claims	\$ 321,344
Less: Liability for unpaid claims, beginning of year	32,469
Subtotal	<u>288,875</u>
Add: Liability for unpaid claims, end of year	31,392
Total benefit claim payments and refunds	<u>\$ 320,267</u>

**(14) Community College Health Insurance Security Fund Risk Pool Disclosure**

The Community College Health Insurance Security Fund (CCHISF) was established to provide health and dental insurance for the Illinois community college retirees and dependent beneficiaries. As of June 30, 2006, there were approximately 3,658 annuitants and 816 dependents covered. As a result of Executive Order #2005-3, the responsibilities of DCMS in relation to the THISF were transferred to

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the Department. The Department works in conjunction with the State Universities Retirement System (SURS) to administer this plan. The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Community College Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in administration of the fund

The responsibilities required of SURS are:

- Enrollment of annuitants and dependents that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of one-half of one percent contributions from active community college employees and community college districts for program funding purposes

The CCHISF was created on January 1, 1999, but the health insurance program administered by the DCMS did not start until July 1, 1999. CCHISF has not contracted with third-party reinsurers for reinsurance coverage and no such coverage was in place for the year ended June 30, 2006.

The basis used in calculating the estimated liability for future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2006, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amounts expressed in thousands) at June 30, 2006 is as follows:

Claims incurred and reported but not paid as of June 30	\$ 774
Estimated liability for claims incurred but not reported	1,795
Total estimated liability for future claims	<u>\$ 2,569</u>

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June 30, 2006

A reconciliation of total benefit claim payments and refunds including claims adjustment expense is as follows (amounts expressed in thousands):

Payments made for benefit claims	\$ 23,253
Less: Liability for unpaid claims, beginning of year	3,393
Subtotal	<u>19,860</u>
Add: Liability for unpaid claims, end of year	2,569
Total benefit claim payments and refunds	<u>\$ 22,429</u>

**(15) Commitments and Contingencies**

**(a) Operating leases**

The Department leases equipment, buildings and office space under the terms of noncancelable operating lease agreements not extending past the end of the fiscal year, that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was \$5.644 million for the year ended June 30, 2006.

**(b) Federal Funding**

The Department receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2006, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the Department believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

**(c) Litigation**

On January 31, 2005, a statewide class action was brought on behalf of all developmentally disabled persons who are eligible for and have received services pursuant to the Home and Community Based Services waiver program, but who want additional services that are available through the program. They allege the State has not provided those services with "reasonable promptness." Those additional services are primarily resident placement in Community Integrated Living Arrangements. On September 25, 2006, the court granted defendants' motion for summary judgment and entered judgment in favor of the Department. It is not yet known if plaintiffs will appeal.

On July 28, 2005, a statewide class action was brought on behalf of individuals with mental retardation and other developmental disabilities who are allegedly "required" to reside in large, privately-run congregate care institutions, Intermediate Care Facilities for the Developmentally Disabled, as a condition of receiving services. The prayer for relief includes determination of class members' eligibility for community services and provision to eligible class members of

**STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES**

Notes to Financial Statements

June 30, 2006

sufficient services to “live in the most integrated setting appropriate to their needs.” The case is in the early stage of discovery.

The Department is a party to numerous other legal proceedings, many of which normally occur in the course of operations. These proceedings are not, in the opinion of the Department’s legal counsel, likely to have a material adverse impact on the Department’s financial position. In the event a material action is settled against the Department, such amounts would be paid from future appropriations or by another State agency. Accordingly, no amounts have been provided in the accompanying financial statements related to outstanding litigation.

**(16) Subsequent Events**

On November 30, 2006, the Department received notification of approval for amendments to the State's Medicaid plan to implement seventeen types of Medicaid reimbursement methodologies. The funding for the methodologies will be by the imposition of an annual assessment based on the adjusted gross hospital revenue for inpatient and outpatient services of certain hospitals in the State and equally funded federal matching. The assessment will be recorded in the Hospital Provider Fund, which is considered a subaccount of the General Fund.

Subsequent to June 30, 2006, a class action suit was filed on behalf of two IMD (Institution for Mental Disease) residents who allegedly wish to be moved to a more integrated facility. The prayer for relief includes requiring steps to be taken to enable plaintiffs to “receive services in the most integrated setting appropriate”. The case is in the early stages of discovery.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF CLAIMS**  
**LOCAL GOVERNMENT HEALTH INSURANCE RESERVE FUND (193)**  
For the Ten Years Ended June 30, 2006

**DEVELOPMENT INFORMATION**

The table below illustrates how the Fund's earned required contribution and investment income compared to related costs of loss and other expenses assumed by the Fund as of the following fiscal year ends (expressed in thousands).

The following information for the ten fiscal years ended June 30, 2006 is being gathered prospectively, as data becomes available because the revenues and expenses were first allocated between earned and ceded for the fiscal year ended June 30, 1997.

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Net earned required contribution and investment revenue:										
Earned	\$ 67,074	\$ 67,876	\$ 72,400	\$ 81,854	\$ 88,640	\$ 87,366	\$ 71,645	\$ 57,656	\$ 44,006	\$ 38,774
Ceded	0	0	0	0	0	(1,234)	(1,210)	(596)	(628)	(394)
Net earned revenue	67,074	67,876	72,400	81,854	88,640	86,132	70,435	57,060	43,378	38,380
Unallocated expenses	835	2,799	2,796	785	827	751	1,390	489	823	587
Estimated incurred claims and expense, end of policy year:										
Incurred	63,919	67,559	67,837	71,465	79,534	86,543	80,892	59,034	49,481	41,401
Ceded	0	0	0	0	0	(80)	924	(1,256)	444	(647)
Net incurred claims	63,919	67,559	67,837	71,465	79,534	86,463	81,816	57,778	49,925	40,754
Paid (cumulative) as of:										
End of policy year	63,274	67,053	64,416	58,355	82,262	76,091	63,807	51,981	47,437	38,043
One year later		70,891	67,833	63,399	99,967	87,785	74,517	60,016	53,005	42,015
Two years later			67,833	63,399	99,967	87,785	74,517	60,016	53,027	42,082
Three years later				63,399	99,967	87,785	74,517	60,016	53,027	41,888
Four years later					99,967	87,785	74,517	60,016	53,027	41,888
Re-estimated ceded losses and expenses	0	0	0	0	0	1,980	1,522	1,256	82	776
Re-estimated incurred claims and expense:										
End of policy year	68,778	75,003	74,749	69,914	97,965	97,779	83,618	58,376	53,041	42,444
One year later		70,891	67,833	63,399	99,967	87,785	74,517	60,016	53,005	42,015
Two years later			67,833	63,399	99,967	87,785	74,517	60,016	53,027	42,082
Three years later				63,399	99,967	87,785	74,517	60,016	53,027	41,888
Four years later					99,967	87,785	74,517	60,016	53,027	41,888
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ 0	\$ (4,112)	\$ (6,916)	\$ (6,515)	\$ 2,002	\$ (9,994)	\$ (9,101)	\$ 1,640	\$ (14)	\$ (556)

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF CLAIMS**  
**TEACHER HEALTH INSURANCE SECURITY FUND (203)**  
For the Ten Years Ended June 30, 2006

**DEVELOPMENT INFORMATION**

The table below illustrates how the Fund's earned required contribution and investment income compared to related costs of loss and other expenses assumed by the Fund as of the following fiscal year ends (expressed in thousands).

The following information for the ten fiscal years ended June 30, 2006 is being gathered prospectively, as data becomes available because the revenues and expenses were first allocated between earned and ceded for the fiscal year ended June 30, 1997.

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Net earned required contribution and investment revenue:										
Earned	\$ 336,901	\$ 289,575	\$ 265,947	\$ 220,189	\$ 186,120	\$ 128,177	\$ 110,312	\$ 102,430	\$ 97,044	\$ 94,623
Ceded	0	0	0	0	0	0	0	0	0	(314)
Net earned revenue	336,901	289,575	265,947	220,189	186,120	128,177	110,312	102,430	97,044	94,309
Unallocated expenses	1,212	1,765	7,252	1,608	2,146	1,934	1,735	2,407	2,401	1,083
Estimated incurred claims and expense, end of policy year:										
Incurred	310,331	281,820	242,211	203,664	172,805	155,601	124,892	103,347	91,564	78,395
Ceded	0	0	0	0	0	0	0	0	0	0
Net incurred claims	310,331	281,820	242,211	203,664	172,805	155,601	124,892	103,347	91,564	78,395
Paid (cumulative) as of:										
End of policy year	303,668	268,913	231,176	187,152	166,198	140,460	104,660	89,918	83,545	75,947
One year later		286,589	246,532	200,519	184,982	155,200	117,117	98,931	93,628	83,317
Two years later			246,532	200,519	184,982	155,200	117,117	98,931	93,205	83,334
Three years later				200,519	184,982	155,200	117,117	98,931	93,205	83,334
Four years later					184,982	155,200	117,117	98,931	93,205	83,334
Re-estimated ceded losses and expenses	0	0	0	0	0	0	0	0	59	0
Re-estimated incurred claims and expense:										
End of policy year	335,060	301,382	264,604	217,698	196,167	167,062	127,460	100,201	89,435	80,668
One year later		286,589	246,532	200,519	184,982	155,200	117,117	98,931	93,628	83,317
Two years later			246,532	200,519	184,982	155,200	117,117	98,931	93,205	83,334
Three years later				200,519	184,982	155,200	117,117	98,931	93,205	83,334
Four years later					184,982	155,200	117,117	98,931	93,205	83,334
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ 0	\$ (14,793)	\$ (18,072)	\$ (17,179)	\$ (11,185)	\$ (11,862)	\$ (10,343)	\$ (1,270)	\$ 3,770	\$ 2,666

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF CLAIMS**  
**COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND (577)**  
For the Eight Years Ended June 30, 2006

DEVELOPMENT INFORMATION

The table below illustrates how the Fund's earned required contribution and investment income compared to related costs of loss and other expenses assumed by the Fund as of the following fiscal year ends (expressed in thousands).

The following information for the eight fiscal years ended June 30, 2006 is being gathered prospectively, as data becomes available because the revenues and expenses were first allocated between earned and ceded for the fiscal year ended June 30, 1999 which is the year the fund began.

	2006	2005	2004	2003	2002	2001	2000	1999
Net earned required contribution and investment revenue:								
Earned	\$ 21,040	\$ 18,927	\$ 16,820	\$ 15,259	\$ 13,704	\$ 12,373	\$ 10,786	\$ 3,850
Ceded	0	0	0	0	0	0	0	0
Net earned revenue	<u>21,040</u>	<u>18,927</u>	<u>16,820</u>	<u>15,259</u>	<u>13,704</u>	<u>12,373</u>	<u>10,786</u>	<u>3,850</u>
Unallocated expenses	318	406	729	438	419	403	320	330
Estimated incurred claims and expense, end of policy year:								
Incurred	21,617	24,995	15,454	13,248	10,346	8,841	5,025	0
Ceded	0	0	0	0	0	0	0	0
Net incurred claims	<u>21,617</u>	<u>24,995</u>	<u>15,454</u>	<u>13,248</u>	<u>10,346</u>	<u>8,841</u>	<u>5,025</u>	<u>0</u>
Paid (cumulative) as of:								
End of policy year	21,955	22,015	15,772	12,061	9,784	7,108	4,587	0
One year later		23,313	17,525	12,636	10,816	7,798	5,101	0
Two years later			17,525	12,636	10,816	7,798	5,101	0
Three years later				12,636	10,816	7,798	5,101	0
Four years later					10,816	7,798	5,101	0
Re-estimated ceded losses and expenses	0	0	0	0	0	0	0	0
Re-estimated incurred claims and expense:								
End of policy year	24,524	25,408	17,548	14,261	11,469	8,827	5,025	0
One year later		23,313	17,525	12,636	10,816	7,798	5,101	0
Two years later			17,525	12,636	10,816	7,798	5,101	0
Three years later				12,636	10,816	7,798	5,539	0
Four years later					10,816	7,798	5,539	0
Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ 0	\$ (2,095)	\$ (23)	\$ (1,625)	\$ (653)	\$ (1,029)	\$ 514	\$ 0

**State of Illinois  
Department of Healthcare and Family Services**

**Combining Schedule of Accounts**

**General Fund**

June 30, 2006 (Expressed in Thousands)

	General Revenue Account 0001	U of I Hospital Services 0136	County Hospital Services 0329	Care Provider for Persons with DD 0344	Long-Term Care Provider 0345	Hospital Provider 0346	Special Education Medicaid Matching 0355
<b>ASSETS</b>							
Unexpended appropriations	\$ 86,922	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ -
Cash equity with State Treasurer	268	20	8,172	8	32,196	2,059	491
Cash and cash equivalents	383	-	-	-	-	-	-
Due from other government - federal	949,764	32,428	127,744	3,612	50,124	6,653	29,702
Due from other government - local	416	-	120,098	-	11,773	-	327
Taxes receivable, net	983	-	-	138	4,591	-	-
Other receivables, net	571	-	37	-	97	25	-
Due from other Department funds	82,186	-	-	-	-	-	-
Due from other State funds	-	-	-	-	24	-	-
Due from State of Illinois component units	-	25,144	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,121,493</b>	<b>\$ 57,592</b>	<b>\$ 256,051</b>	<b>\$ 3,761</b>	<b>\$ 98,805</b>	<b>\$ 8,737</b>	<b>\$ 30,520</b>

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 1,833,971	\$ -	\$ -	\$ 2	\$ 85,477	\$ 5,982	\$ -
Due to other government - federal	727	-	-	-	2	-	-
Due to other government - local	-	-	256,051	-	13,318	-	30,520
Due to other State fiduciary funds	223	-	-	-	2	-	-
Due to other Department funds	5,300	8,968	-	-	6	-	-
Due to other State funds	8,386	-	-	-	-	2,755	-
Due to State of Illinois component units	2,239	48,624	-	-	-	-	-
Unavailable revenue	418,958	17,204	172,476	2,515	594	271	21,234
Deferred revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>2,269,804</b>	<b>74,796</b>	<b>428,527</b>	<b>2,517</b>	<b>99,399</b>	<b>9,008</b>	<b>51,754</b>

**FUND BALANCES (DEFICITS)**

Reserved for encumbrances	-	-	-	-	-	-	-
Unreserved, undesignated	(1,148,311)	(17,204)	(172,476)	1,244	(594)	(271)	(21,234)
Total fund balances (deficits)	(1,148,311)	(17,204)	(172,476)	1,244	(594)	(271)	(21,234)
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 1,121,493</b>	<b>\$ 57,592</b>	<b>\$ 256,051</b>	<b>\$ 3,761</b>	<b>\$ 98,805</b>	<b>\$ 8,737</b>	<b>\$ 30,520</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Schedule of Accounts**

**General Fund**

June 30, 2006 (Expressed in Thousands)

	Health and Human Services Medicaid Trust 0365	Trauma Center 0397	Public Assistance Recoveries Trust 0421	Medical Research and Development 0486	Post-Tertiary Clinical Services 0487	Juvenile Rehab Services Medicaid Matching 0575	Family Care 0720
<b>ASSETS</b>							
Unexpended appropriations	\$ -	\$ 2,145	\$ -	\$ -	\$ -	\$ -	-
Cash equity with State Treasurer	16,443	-	32,161	-	-	13	4,601
Cash and cash equivalents	-	-	-	-	-	-	-
Due from other government - federal	-	1,096	1,590	-	-	180	-
Due from other government - local	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-
Other receivables, net	-	-	89,746	-	-	-	12
Due from other Department funds	-	-	-	-	-	-	5,300
Due from other State funds	757	-	-	-	-	-	2,934
Due from State of Illinois component units	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 17,200</b>	<b>\$ 3,241</b>	<b>\$ 123,497</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 193</b>	<b>\$ 12,847</b>

<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ -	\$ 2,145	\$ 1,423	\$ -	\$ -	\$ -	\$ 11,726
Due to other government - federal	-	-	21	-	-	-	-
Due to other government - local	-	-	4,585	-	-	193	-
Due to other State fiduciary funds	-	-	25	-	-	-	-
Due to other Department funds	-	-	116,160	-	-	-	-
Due to other State funds	-	-	1,283	-	-	-	-
Due to State of Illinois component units	-	-	-	-	-	-	-
Unavailable revenue	-	-	1,590	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>2,145</b>	<b>125,087</b>	<b>-</b>	<b>-</b>	<b>193</b>	<b>11,726</b>

<b>FUND BALANCES (DEFICITS)</b>							
Reserved for encumbrances	-	-	32	-	-	-	-
Unreserved, undesignated	17,200	1,096	(1,622)	-	-	-	1,121
Total fund balances (deficits)	17,200	1,096	(1,590)	-	-	-	1,121
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 17,200</b>	<b>\$ 3,241</b>	<b>\$ 123,497</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 193</b>	<b>\$ 12,847</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Schedule of Accounts**

**General Fund**

June 30, 2006 (Expressed in Thousands)

	Drug Rebate 0728	Independent Academic Medical Center 0735	Medicaid Buy-in Program Revolving 0740	Medical Special Purpose Trust 0808	Eliminations	Total
<b>ASSETS</b>						
Unexpended appropriations	\$ -	\$ -	\$ -	\$ -	-	\$ 89,070
Cash equity with State Treasurer	100,387	-	1,140	539	-	198,498
Cash and cash equivalents	-	-	-	-	-	383
Due from other government - federal	10,725	-	-	488	-	1,214,106
Due from other government - local	-	-	-	-	-	132,614
Taxes receivable, net	-	-	-	-	-	5,712
Other receivables, net	384	-	13	-	-	90,885
Due from other Department funds	42,870	-	-	-	(130,356)	-
Due from other State funds	-	-	-	-	-	3,715
Due from State of Illinois component units	-	-	-	-	-	25,144
<b>Total assets</b>	<b>\$ 154,366</b>	<b>\$ -</b>	<b>\$ 1,153</b>	<b>\$ 1,027</b>	<b>\$ (130,356)</b>	<b>\$ 1,760,127</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 100,735	\$ -	\$ -	122	\$ -	\$ 2,041,583
Due to other government - federal	-	-	-	1	-	751
Due to other government - local	-	-	-	-	-	304,667
Due to other State fiduciary funds	-	-	-	1	-	251
Due to other Department funds	-	-	-	2	(130,356)	80
Due to other State funds	-	-	-	2	-	12,426
Due to State of Illinois component units	-	-	-	-	-	50,863
Unavailable revenue	883	-	4	268	-	635,997
Deferred revenue	-	-	-	308	-	308
<b>Total liabilities</b>	<b>101,618</b>	<b>-</b>	<b>4</b>	<b>704</b>	<b>(130,356)</b>	<b>3,046,926</b>
<b>FUND BALANCES (DEFICITS)</b>						
Reserved for encumbrances	-	-	-	-	-	32
Unreserved, undesignated	52,748	-	1,149	323	-	(1,286,831)
Total fund balances (deficits)	52,748	-	1,149	323	-	(1,286,799)
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 154,366</b>	<b>\$ -</b>	<b>\$ 1,153</b>	<b>\$ 1,027</b>	<b>\$ (130,356)</b>	<b>\$ 1,760,127</b>

**State of Illinois  
Department of Healthcare and Family Services**

**Combining Schedule of Revenues,  
Expenditures and Changes in Fund Balance -  
General Fund**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	General Revenue Account 0001	U of I Hospital Services 0136	County Hospital Services 0329	Care Provider for Persons with DD 0344	Long-Term Care Provider 0345	Hospital Provider 0346	Special Education Medicaid Matching 0355
<b>REVENUES</b>							
Operating grants - federal	\$ 3,639,989	\$ 138,510	\$ 797,739	\$ 18,554	\$ 340,513	\$ 85,086	\$ 132,515
Other operating grants	-	102,359	795,228	-	71,131	-	-
Licenses and fees	3,897	-	-	-	-	-	-
Other charges for services	-	-	-	-	-	-	-
Interest and other investment income	588	-	458	-	662	89	-
Other taxes	-	-	-	20,458	232,024	-	-
Other	350,802	-	-	-	-	-	-
<b>Total revenues</b>	<b>3,995,276</b>	<b>240,869</b>	<b>1,593,425</b>	<b>39,012</b>	<b>644,330</b>	<b>85,175</b>	<b>132,515</b>
<b>EXPENDITURES</b>							
Health and social services	6,770,743	228,720	1,611,830	58	723,778	167,135	134,924
Capital outlays	107	-	-	-	-	-	-
<b>Total expenditures</b>	<b>6,770,850</b>	<b>228,720</b>	<b>1,611,830</b>	<b>58</b>	<b>723,778</b>	<b>167,135</b>	<b>134,924</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,775,574)</b>	<b>12,149</b>	<b>(18,405)</b>	<b>38,954</b>	<b>(79,448)</b>	<b>(81,960)</b>	<b>(2,409)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	7,490,871	-	-	1,094	-	-	-
Lapsed appropriations	(148,232)	-	-	(1,035)	-	-	-
Receipts collected and transmitted to State Treasury	(4,361,368)	-	-	(40,182)	-	-	-
Amount of SAMS transfers-in	(87,210)	-	-	-	-	-	-
Amount of SAMS transfers-out	44,700	-	-	-	-	-	-
Transfers-in	64,280	44,700	-	-	83,333	83,333	-
Transfers-out	(94,075)	(58,408)	-	-	-	(5,780)	-
<b>Net other sources (uses) of financial resources</b>	<b>2,908,966</b>	<b>(13,708)</b>	<b>-</b>	<b>(40,123)</b>	<b>83,333</b>	<b>77,553</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>133,392</b>	<b>(1,559)</b>	<b>(18,405)</b>	<b>(1,169)</b>	<b>3,885</b>	<b>(4,407)</b>	<b>(2,409)</b>
Fund balances (deficits), July 1, 2005	(1,281,703)	(15,645)	(154,071)	2,413	(4,479)	4,136	(18,825)
<b>FUND BALANCES (DEFICITS), JUNE 30, 2006</b>	<b>\$ (1,148,311)</b>	<b>\$ (17,204)</b>	<b>\$ (172,476)</b>	<b>\$ 1,244</b>	<b>\$ (594)</b>	<b>\$ (271)</b>	<b>\$ (21,234)</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Schedule of Revenues,**  
**Expenditures and Changes in Fund Balance -**  
**General Fund**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Health and Human Services Medicaid Trust 0365	Trauma Center 0397	Public Assistance Recoveries Trust 0421	Medical Research and Development 0486	Post-Tertiary Clinical Services 0487	Juvenile Rehab Services Medicaid Matching 0575	Family Care 0720
<b>REVENUES</b>							
Operating grants - federal	\$ -	\$ 5,317	\$ 38,577	\$ 6,401	\$ 6,401	\$ 944	\$ -
Other operating grants	-	-	-	-	-	-	-
Licenses and fees	-	-	-	-	-	-	-
Other charges for services	-	-	12,819	-	-	-	-
Interest and other investment income	757	-	-	-	-	-	75
Other taxes	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	1
<b>Total revenues</b>	<b>757</b>	<b>5,317</b>	<b>51,396</b>	<b>6,401</b>	<b>6,401</b>	<b>944</b>	<b>76</b>
<b>EXPENDITURES</b>							
Health and social services	(4)	10,401	37,972	12,801	12,801	944	27,046
Capital outlays	-	-	235	-	-	-	-
<b>Total expenditures</b>	<b>(4)</b>	<b>10,401</b>	<b>38,207</b>	<b>12,801</b>	<b>12,801</b>	<b>944</b>	<b>27,046</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>761</b>	<b>(5,084)</b>	<b>13,189</b>	<b>(6,400)</b>	<b>(6,400)</b>	<b>-</b>	<b>(26,970)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>							
Appropriations from State resources	-	15,000	-	-	-	-	-
Lapsed appropriations	-	(4,598)	-	-	-	-	-
Receipts collected and transmitted to State Treasury	-	(5,430)	-	-	-	-	-
Amount of SAMS transfers-in	-	-	-	-	-	-	-
Amount of SAMS transfers-out	-	-	-	-	-	-	-
Transfers-in	(92)	-	31	6,400	6,400	-	28,085
Transfers-out	-	-	(11,553)	-	-	-	(23)
<b>Net other sources (uses) of financial resources</b>	<b>(92)</b>	<b>4,972</b>	<b>(11,522)</b>	<b>6,400</b>	<b>6,400</b>	<b>-</b>	<b>28,062</b>
<b>Net change in fund balances</b>	<b>669</b>	<b>(112)</b>	<b>1,667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,092</b>
Fund balances (deficits), July 1, 2005	16,531	1,208	(3,257)	-	-	-	29
<b>FUND BALANCES (DEFICITS), JUNE 30, 2006</b>	<b>\$ 17,200</b>	<b>\$ 1,096</b>	<b>\$ (1,590)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,121</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Schedule of Revenues,**  
**Expenditures and Changes in Fund Balance -**  
**General Fund**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Drug Rebate 0728	Independent Academic Medical Center 0735	Medicaid Buy-in Program Revolving 0740	Medical Special Purpose Trust 0808	Eliminations	Total
<b>REVENUES</b>						
Operating grants - federal	\$ 303,666	\$ 1,000	\$ -	\$ 1,922	\$ -	\$ 5,517,134
Other operating grants	-	-	-	445	-	969,163
Licenses and fees	-	-	479	-	-	4,376
Other charges for services	-	-	-	-	(12,819)	-
Interest and other investment income	2,058	-	41	-	-	4,728
Other taxes	-	-	-	-	-	252,482
Other	-	-	-	-	-	350,803
<b>Total revenues</b>	<b>305,724</b>	<b>1,000</b>	<b>520</b>	<b>2,367</b>	<b>(12,819)</b>	<b>7,098,686</b>
<b>EXPENDITURES</b>						
Health and social services	271,844	2,000	-	3,346	(12,819)	10,003,520
Capital outlays	-	-	-	-	-	342
<b>Total expenditures</b>	<b>271,844</b>	<b>2,000</b>	<b>-</b>	<b>3,346</b>	<b>(12,819)</b>	<b>10,003,862</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>33,880</b>	<b>(1,000)</b>	<b>520</b>	<b>(979)</b>	<b>-</b>	<b>(2,905,176)</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	-	-	-	-	-	7,506,965
Lapsed appropriations	-	-	-	-	-	(153,865)
Receipts collected and transmitted to State Treasury	-	-	-	-	-	(4,406,980)
Amount of SAMS transfers-in	-	-	-	-	-	(87,210)
Amount of SAMS transfers-out	-	-	-	-	-	44,700
Transfers-in	83,333	1,000	-	-	(127,255)	273,548
Transfers-out	(17,316)	-	(319)	(931)	127,255	(61,150)
<b>Net other sources (uses) of financial resources</b>	<b>66,017</b>	<b>1,000</b>	<b>(319)</b>	<b>(931)</b>	<b>-</b>	<b>3,116,008</b>
<b>Net change in fund balances</b>	<b>99,897</b>	<b>-</b>	<b>201</b>	<b>(1,910)</b>	<b>-</b>	<b>210,832</b>
Fund balances (deficits), July 1, 2005	(47,149)	-	948	2,233	-	(1,497,631)
<b>FUND BALANCES (DEFICITS), JUNE 30, 2006</b>	<b>\$ 52,748</b>	<b>\$ -</b>	<b>\$ 1,149</b>	<b>\$ 323</b>	<b>\$ -</b>	<b>(1,286,799)</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Balance Sheet -**  
**Non-major Governmental Funds**  
 June 30, 2006 (Expressed in Thousands)

	Special Revenue					
	Illinois Prescription Drug Discount Program 0316	Provider Inquiry Trust 0341	Low Income Energy Assistance 0550	Good Samaritan Energy Trust 0555	Energy Assistance Contribution 0610	

\$	-	\$	-	\$	1,244	\$	-	\$	-
	279	415	-	-	-	-	2,027	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	1	11	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 280</b>	<b>\$ 426</b>	<b>\$ 1,244</b>	<b>\$ 2,027</b>	<b>\$ 500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

<b>ASSETS</b>	
Unexpended appropriations	-
Cash equity with State Treasurer	279
Cash and cash equivalents	-
Due from other government - federal	-
Other receivables, net	1
Due from other State funds	-
<b>Total assets</b>	<b>\$ 280</b>

<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	-
Due to other government - federal	-
Due to other government - local	-
Due to other State fiduciary funds	-
Due to other Department funds	-
Due to other State funds	25
Unavailable revenue	-
Deferred revenue	-
<b>Total liabilities</b>	<b>\$ 25</b>

<b>FUND BALANCES</b>	
Reserved for encumbrances	-
Unreserved, undesignated	255
Total fund balances	255
<b>Total liabilities and fund balances</b>	<b>\$ 280</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Balance Sheet -**  
**Non-major Governmental Funds**  
 June 30, 2006 (Expressed in Thousands)

	Special Revenue				Total
	Tobacco Settlement Recovery 0733	Energy Administration 0737	Child Support Administration 0757	Low Income Home Energy Assistance Block Grant 0870	

ASSETS					
Unexpended appropriations	\$ 99,698	\$ -	\$ -	\$ -	\$ 100,942
Cash equity with State Treasurer	-	218	36,541	425	39,905
Cash and cash equivalents	-	-	-	-	-
Due from other government - federal	107,294	451	13,302	49,113	170,160
Other receivables, net	-	-	10,472	-	10,484
Due from other State funds	-	-	1	-	1
<b>Total assets</b>	<b>\$ 206,992</b>	<b>\$ 669</b>	<b>\$ 60,316</b>	<b>\$ 49,538</b>	<b>\$ 321,492</b>

LIABILITIES					
Accounts payable and accrued liabilities	\$ 99,698	\$ 413	\$ 6,389	\$ 42,956	\$ 150,910
Due to other government - federal	-	1	6,699	5	6,705
Due to other government - local	-	252	3,720	6,449	10,696
Due to other State fiduciary funds	-	1	199	5	205
Due to other Department funds	-	2	530	13	545
Due to other State funds	-	-	4,689	110	5,017
Unavailable revenue	-	-	33	-	38
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>99,698</b>	<b>669</b>	<b>22,259</b>	<b>49,538</b>	<b>174,116</b>

FUND BALANCES					
Reserved for encumbrances	-	-	6	4	10
Unreserved, undesignated	107,294	-	38,051	(4)	147,366
Total fund balances	107,294	-	38,057	-	147,376
<b>Total liabilities and fund balances</b>	<b>\$ 206,992</b>	<b>\$ 669</b>	<b>\$ 60,316</b>	<b>\$ 49,538</b>	<b>\$ 321,492</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances -**  
**Non-major Governmental Funds**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Special Revenue				
	Illinois Prescription Drug Program 0316	Provider Inquiry Trust 0341	Low Income Energy Assistance 0550	Samaritan Energy Trust 0555	Energy Assistance Contribution 0610
<b>REVENUES</b>					
Operating grants - federal	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating grants	-	-	-	2,002	-
License and fees	-	719	-	-	-
Other charges for services	-	-	-	-	-
Other revenues, net	13	-	-	-	-
<b>Total revenues</b>	<b>13</b>	<b>719</b>	<b>-</b>	<b>2,002</b>	<b>-</b>
<b>EXPENDITURES</b>					
Health and social services	32	704	92,478	500	(1)
Capital outlays	-	-	132	-	-
<b>Total expenditures</b>	<b>32</b>	<b>704</b>	<b>92,610</b>	<b>500</b>	<b>(1)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(19)</b>	<b>15</b>	<b>(92,610)</b>	<b>1,502</b>	<b>1</b>
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>					
Appropriations from State resources	-	-	101,100	-	-
Lapsed appropriations	-	-	(8,570)	-	-
Receipts collected and transmitted to State Treasury	-	-	(97)	-	-
Transfers-in	-	-	-	-	-
Transfers-out	(3)	(267)	-	(7)	(259)
Transfer of administration of funds from other State agencies	277	-	-	-	-
<b>Net other sources (uses) of financial resources</b>	<b>274</b>	<b>(267)</b>	<b>92,433</b>	<b>(7)</b>	<b>(259)</b>
<b>Net change in fund balances</b>	<b>255</b>	<b>(252)</b>	<b>(177)</b>	<b>1,495</b>	<b>(258)</b>
Fund balances, July 1, 2005	-	495	177	32	258
<b>FUND BALANCES, JUNE 30, 2006</b>	<b>\$ 255</b>	<b>\$ 243</b>	<b>\$ -</b>	<b>\$ 1,527</b>	<b>\$ -</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances -**  
**Non-major Governmental Funds**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Special Revenue					Total
	Tobacco Settlement Recovery 0733	Energy Administration 0737	Child Support Administration 0757	Home Energy Assistance Block Grant 0870	Low Income	
<b>REVENUES</b>						
Operating grants - federal	\$ 202,064	\$ 13,428	\$ 112,300	\$ 188,980	\$ 516,772	
Other operating grants	-	-	-	-	2,002	
License and fees	-	-	-	-	719	
Other charges for services	-	-	21,798	-	21,798	
Other revenues, net	-	-	-	-	13	
<b>Total revenues</b>	<b>202,064</b>	<b>13,428</b>	<b>134,098</b>	<b>188,980</b>	<b>541,304</b>	
<b>EXPENDITURES</b>						
Health and social services	427,873	13,423	157,082	188,963	881,054	
Capital outlays	-	5	80	17	234	
<b>Total expenditures</b>	<b>427,873</b>	<b>13,428</b>	<b>157,162</b>	<b>188,980</b>	<b>881,288</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(225,809)</b>	<b>-</b>	<b>(23,064)</b>	<b>-</b>	<b>(339,984)</b>	
<b>OTHER SOURCES (USES) OF FINANCIAL RESOURCES</b>						
Appropriations from State resources	521,829	-	-	-	622,929	
Lapsed appropriations	(80,146)	-	-	-	(88,716)	
Receipts collected and transmitted to State Treasury	(104,015)	-	-	-	(104,112)	
Transfers-in	-	-	31,008	-	31,008	
Transfers-out	(13,800)	-	(1,117)	-	(15,453)	
Transfer of administration of funds from other State agencies	-	-	-	-	277	
<b>Net other sources (uses) of financial resources</b>	<b>323,868</b>	<b>-</b>	<b>29,891</b>	<b>-</b>	<b>445,933</b>	
<b>Net change in fund balances</b>	<b>98,059</b>	<b>-</b>	<b>6,827</b>	<b>-</b>	<b>105,949</b>	
Fund balances, July 1, 2005	9,235	-	31,230	-	41,427	
<b>FUND BALANCES, JUNE 30, 2006</b>	<b>\$ 107,294</b>	<b>\$ -</b>	<b>\$ 38,057</b>	<b>\$ -</b>	<b>\$ 147,376</b>	

**State of Illinois**  
**Department of Healthcare and Family Services**

**Combining Statement of Net Assets**  
**Enterprise Funds - Non-major Proprietary Funds**

June 30, 2006 (Expressed in Thousands)

	Local Government Health Insurance Reserve 0193	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
<b>ASSETS</b>				
Cash equity with State Treasurer	\$ 7,255	\$ 66,256	\$ 9,916	\$ 83,427
Cash and cash equivalents	2,191	6,760	896	9,847
Due from other government - federal	70	10,313	876	11,259
Other receivables, net	464	12,891	759	14,114
<b>Total current assets</b>	<b>9,980</b>	<b>96,220</b>	<b>12,447</b>	<b>118,647</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	5,539	31,545	2,571	39,655
Due to other government - federal	1	1	-	2
Due to other State fiduciary funds	1	1	-	2
Due to other Department funds	3	2	-	5
Due to other State funds	12	13	2	27
Deferred revenue	10	-	-	10
Current portion of long-term obligations	-	2	-	2
<b>Total current liabilities</b>	<b>5,566</b>	<b>31,564</b>	<b>2,573</b>	<b>39,703</b>
Noncurrent portion of long-term obligations	59	57	4	120
<b>Total liabilities</b>	<b>5,625</b>	<b>31,621</b>	<b>2,577</b>	<b>39,823</b>
<b>NET ASSETS</b>				
Unrestricted	4,355	64,599	9,870	78,824
<b>Total net assets</b>	<b>\$ 4,355</b>	<b>\$ 64,599</b>	<b>\$ 9,870</b>	<b>\$ 78,824</b>

**State of Illinois**  
**Department of Healthcare and Family Services**  


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**Combining Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Enterprise Funds - Non-major Proprietary Funds**  
For the Year Ended June 30, 2006 (Expressed in Thousands)

	Local Government Health Insurance Reserve <b>0193</b>	Teacher Health Insurance Security <b>0203</b>	Community College Health Insurance Security <b>0577</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 66,589	\$ 324,182	\$ 19,685	\$ 410,456
Other	746	9,936	812	11,494
<b>Total operating revenues</b>	<b>67,335</b>	<b>334,118</b>	<b>20,497</b>	<b>421,950</b>
<b>OPERATING EXPENSES</b>				
Benefit payments and refunds	64,665	320,267	22,429	407,361
General and administrative	835	1,212	318	2,365
<b>Total operating expenses</b>	<b>65,500</b>	<b>321,479</b>	<b>22,747</b>	<b>409,726</b>
<b>Operating income (loss)</b>	<b>1,835</b>	<b>12,639</b>	<b>(2,250)</b>	<b>12,224</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and other investment income	415	2,406	479	3,300
Other revenues	70	10,313	876	11,259
<b>Income (loss) before transfers</b>	<b>2,320</b>	<b>25,358</b>	<b>(895)</b>	<b>26,783</b>
Transfer of administration of funds from other State agencies	2,035	39,241	10,765	52,041
<b>Change in net assets</b>	<b>4,355</b>	<b>64,599</b>	<b>9,870</b>	<b>78,824</b>
Net assets, July 1, 2005	-	-	-	-
<b>NET ASSETS, JUNE 30, 2006</b>	<b>\$ 4,355</b>	<b>\$ 64,599</b>	<b>\$ 9,870</b>	<b>\$ 78,824</b>

**State of Illinois**

**Department of Healthcare and Family Services**

**Combining Statement of Cash Flows**

**Enterprise Funds - Non-major Proprietary Funds**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Local Government Health Insurance Reserve 0193	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from sales and services	\$ 66,770	\$ 324,917	\$ 19,957	\$ 411,644
Cash payments to suppliers for goods and services	(68,459)	(324,018)	(23,766)	(416,243)
Cash payments to employees for services	(690)	(849)	(274)	(1,813)
Cash receipts from other operating activities	1,076	7,912	987	9,975
Net cash provided (used) by operating activities	<u>(1,303)</u>	<u>7,962</u>	<u>(3,096)</u>	<u>3,563</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends on investments	412	2,301	473	3,186
Net cash provided (used) by investing activities	<u>412</u>	<u>2,301</u>	<u>473</u>	<u>3,186</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(891)	10,263	(2,623)	6,749
Cash and cash equivalents, July 1, 2005	10,337	62,753	13,435	86,525
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2006</b>	<u>\$ 9,446</u>	<u>\$ 73,016</u>	<u>\$ 10,812</u>	<u>\$ 93,274</u>
<b>Reconciliation of cash and cash equivalents to the statement of net assets:</b>				
Total cash and cash equivalents per the statement of net assets	\$ 2,191	\$ 6,760	\$ 896	\$ 9,847
Add: cash equity with State Treasurer	7,255	66,256	9,916	83,427
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2006</b>	<u>\$ 9,446</u>	<u>\$ 73,016</u>	<u>\$ 10,812</u>	<u>\$ 93,274</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
<b>OPERATING INCOME (LOSS)</b>	\$ 1,835	\$ 12,639	\$ (2,250)	\$ 12,224
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(145)	(3,700)	(269)	(4,114)
(Increase) decrease in intergovernmental receivables	103	-	-	103
(Increase) decrease in due from other funds	-	-	272	272
Increase (decrease) in accounts payable and accrued liabilities	(3,130)	(998)	(836)	(4,964)
Increase (decrease) in intergovernmental payables	1	1	-	2
Increase (decrease) in due to other funds	1	16	2	19
Increase (decrease) in deferred revenues	10	-	-	10
Increase (decrease) in other liabilities	22	4	(15)	11
Total adjustments	<u>(3,138)</u>	<u>(4,677)</u>	<u>(846)</u>	<u>(8,661)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (1,303)</u>	<u>\$ 7,962</u>	<u>\$ (3,096)</u>	<u>\$ 3,563</u>

**State of Illinois**  
**Department of Healthcare and Family Services**  


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**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**

June 30, 2006 (Expressed in Thousands)

	Child Support Enforcement Trust 0957	Child Support Enforcement Trust - SDU 2957	Total
<b>ASSETS</b>			
Cash equity with State Treasurer	\$ 8,607	\$ -	\$ 8,607
Cash and cash equivalents	195	1,660	1,855
Other receivables, net	157,657	74	157,731
<b>Total assets</b>	<b>\$ 166,459</b>	<b>\$ 1,734</b>	<b>\$ 168,193</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 9,465	\$ 1,734	\$ 11,199
Other liabilities	156,994	-	156,994
<b>Total liabilities</b>	<b>\$ 166,459</b>	<b>\$ 1,734</b>	<b>\$ 168,193</b>

**State of Illinois**

**Department of Healthcare and Family Services**

**Combining Statement of Changes in Assets and Liabilities**

**Agency Funds**

For the Year Ended June 30, 2006 (Expressed in Thousands)

	Balance at July 1, 2005	Additions	Deletions	Balance at June 30, 2006
<b>Child Support Enforcement Trust (0957)</b>				
<b>ASSETS</b>				
Cash equity with State Treasurer	\$ 8,383	\$ 147,799	\$ 147,575	\$ 8,607
Cash and cash equivalents	309	195	309	195
Other receivables, net	142,515	157,657	142,515	157,657
<b>Total assets</b>	<b>\$ 151,207</b>	<b>\$ 305,651</b>	<b>\$ 290,399</b>	<b>\$ 166,459</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 9,021	\$ 9,465	\$ 9,021	\$ 9,465
Other liabilities	142,186	156,994	142,186	156,994
<b>Total liabilities</b>	<b>\$ 151,207</b>	<b>\$ 166,459</b>	<b>\$ 151,207</b>	<b>\$ 166,459</b>
<b>Child Support Enforcement Trust - SDU (2957)</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,145	\$ 972,956	\$ 972,441	\$ 1,660
Other receivables, net	99	794	819	74
<b>Total assets</b>	<b>\$ 1,244</b>	<b>\$ 973,750</b>	<b>\$ 973,260</b>	<b>\$ 1,734</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,244	\$ 984,246	\$ 983,756	\$ 1,734
<b>Total liabilities</b>	<b>\$ 1,244</b>	<b>\$ 984,246</b>	<b>\$ 983,756</b>	<b>\$ 1,734</b>
<b>Total</b>				
<b>ASSETS</b>				
Cash equity with State Treasurer	\$ 8,383	\$ 147,799	\$ 147,575	\$ 8,607
Cash and cash equivalents	1,454	973,151	972,750	1,855
Other receivables, net	142,614	158,451	143,334	157,731
<b>Total assets</b>	<b>\$ 152,451</b>	<b>\$ 1,279,401</b>	<b>\$ 1,263,659</b>	<b>\$ 168,193</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 10,265	\$ 993,711	\$ 992,777	\$ 11,199
Other liabilities	142,186	156,994	142,186	156,994
<b>Total liabilities</b>	<b>\$ 152,451</b>	<b>\$ 1,150,705</b>	<b>\$ 1,134,963</b>	<b>\$ 168,193</b>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2006

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards
- Notes to the Schedule of Expenditures of Federal Awards
- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Efficiency Initiative Payments
- Locally Held Funds – Cash Basis Schedule
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts and Transfers
- Reconciliation of Cash Receipts and Transfers to Deposits Remitted to the Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Significant Balance Sheet Accounts
- Analysis of Accounts Receivable
- Indirect Cost Reimbursements (Unaudited)
- Schedule of Adjudication Pattern, Payment Patterns and Claims Paid (Unaudited)

- Analysis of Operations:

- Department Functions and Planning Program
- Average Number of Employees
- Fiscal Year Statistics (Unaudited)
- Emergency Purchases
- Katrina Relief (Unaudited)
- Service Efforts and Accomplishments (Unaudited)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2006  
(expressed in thousands)

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services:</b>		
Medicaid Cluster:		
Medical Assistance Program	93.778	\$ 5,067,495
State Survey and Certification of Health Care Providers and Suppliers	93.777	<u>7,475</u>
Total Medicaid Cluster		<u>5,074,970</u>
State Children's Insurance Program	93.767	499,069
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	88
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	447
Reimbursement of State Costs for Provision of Part D Drugs	93.794	12,600
Healthy Start Initiative	93.926	50
Child Support Enforcement	93.563	114,700
Grants to States for Access and Visitation Programs	93.597	304
Child Support Enforcement Demonstrations and Special Projects	93.601	105
Low-Income Home Energy Assistance	93.568	<u>189,157</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><u>5,891,490</u></u>
<b>U.S. Department of Energy:</b>		
Weatherization Assistance for Low-Income Persons	81.042	13,404
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	<u>24</u>
<b>Total U.S. Department of Energy</b>		<u><u>13,428</u></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 5,904,918</u></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2006

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) of the State of Illinois, Department of Healthcare and Family Services (Department) for the year ended June 30, 2006 is presented on the modified accrual basis of accounting for expenditures. Such basis differs from the cash basis of accounting because it includes costs incurred prior to the end of the year, but not paid, and excludes costs paid during each year but reported in the prior year.

**(2) Subrecipients**

Of the federal expenditures presented in the accompanying Schedule, the Department provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided Subrecipients</u>
Medical Assistance Program	93.778	\$ 95,631
Child Support Enforcement	93.563	20,028
Grants to States for Access and Visitation Programs	93.597	300
Low-Income Home Energy Assistance	93.568	186,307
Weatherization Assistance for Low-Income Persons	81.042	13,176

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2006

**(3) Descriptions of Major Federal Programs**

The following summarizes the major federal programs for the year ended June 30, 2006.

*Medical Assistance Program CFDA #93.778*

Federal Agency:                   Centers for Medicare and Medicaid Services  
  Department of Health and Human Services

State Match:                      50% (varies among programs)

The objective of the Medical Assistance Program is to provide financial assistance to states for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements, and other categorically eligible groups. Financial assistance is also provided to states to pay for Medicare premiums, co-payments and deductibles of qualified Medicare beneficiaries meeting certain income requirements. In addition, the federal government under this program pays 50 percent of the expenses relating to most State administrative costs for Medicaid. Some expenditures can be matched at an enhanced rate of 75% to 90%. Examples of such expenditures are certain costs related to the Medicaid Management Information System and the employment of skilled professional medical personnel.

*State Children's Insurance Program (SCHIP) CFDA #93.767*

Federal Agency:                   Centers for Medicare and Medicaid Services  
  Department of Health and Human Services

State Match:                      35%

The objective of the SCHIP is to provide funds to states to initiate and expand child health assistance to uninsured, low-income children. Assistance is provided by two methods (1) obtain health insurance coverage that meets the requirements in Section 2103 relating to the amount, duration, and scope of benefits; and (2) expand eligibility for children under the State's Medicaid program.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2006

**(3) Descriptions of Major Federal Programs (continued)**

*Child Support Enforcement CFDA #93.563*

Federal Agency: Administration for Children and Families  
Department of Health and Human Services

State match: 34%

The objective of the Title IV-D Program is to enforce the support obligation owed by absent parents to their children, locate absent parents, establish paternity, and obtain child, spousal and medical support. The State takes over the role of the absentee parent and provides payments to the family based on need and hardship level. The State then attempts to collect the support payments from the parent. Collections in excess of the support provided by the State are passed along to the family. If collections do not equal the support provided by the State, the difference is absorbed by the Department.

*Low-Income Home Energy Assistance CFDA #93.568*

Federal Agency: Administration for Children and Families  
Department of Health and Human Services

State Match: 0%

This program provides grants to states and other jurisdictions to assist eligible low-income households in meeting the costs of home energy. States can provide regular heating assistance benefits or energy crisis assistance, which may include cooling costs or weatherization assistance. Supplemental leveraging incentive funds may be awarded to households beyond federal funding. Up to 10 percent of these funds can be used for State and local planning.

**(4) Other Agency Federal Programs Expenditures**

In addition to expenditures made by the Department, other State Agencies, Local Governments and Local Education Agencies also pay for federally reimbursable costs associated with the above federal programs. The Department claims eligible amounts for federal reimbursement as part of its standard claiming process with the U.S. Department of Health and Human Services. The resulting reimbursement is then deposited into the appropriate State fund.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2006  
(expressed in thousands)

P.A. 94-0015, 94-0798	Appropriations (Net after transfers)	Expenditures through June 30	Lapse period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
			Expenditures July 1 to August 31	Expenditures August 31		
<b>General Revenue Fund - 0001</b>						
Administrative:						
Program/Administrative Level	\$ 41,129	\$ 33,539	\$ 5,452	\$ 38,991	\$ 2,138	
Inspector General	15,909	13,402	1,756	15,158	751	
Attorney General	2,126	1,758	105	1,863	263	
Medical	48,818	41,632	4,531	46,163	2,655	
Deposit into Child Support Administrative Fund	31,008	31,008	-	31,008	-	
Group Insurance	1,025,359	1,002,079	2,153	1,004,232	21,127	
Total Administrative and Group Insurance	1,164,349	1,123,418	13,997	1,137,415	26,934	
Medical Assistance:						
Physicians	720,477	714,015	5,772	719,787	690	
Hospital In-Patient	2,537,424	2,472,939	17,851	2,490,790	46,634	
Prescribed Drugs	1,077,170	1,017,819	1,198	1,019,017	58,153	
Optometrists	12,442	11,174	230	11,404	1,038	
Podiatrists	3,900	3,463	407	3,870	30	
Chiropractors	1,334	1,177	131	1,308	26	
Federally Defined Institutions for Mental Diseases	101,519	92,064	1,320	93,384	8,135	
Supportive Living Facilities	36,242	34,698	1,367	36,065	177	
Skilled and Intermediate Long-Term Care	665,347	647,976	14,963	662,939	2,408	
Dentists	118,450	115,401	3,000	118,401	49	
Community Health Centers	171,369	170,609	721	171,330	39	
Appliances	59,476	57,778	1,674	59,452	24	
Independent Laboratories	30,737	30,682	51	30,733	4	
Transportation	88,188	84,562	2,622	87,184	1,004	
Other Related Medical Services	89,679	82,381	7,296	89,677	2	
Hospice Care	50,607	49,697	899	50,596	11	
Home Health Care, Therapy and Nursing Services	49,059	44,588	4,331	48,919	140	
Division of Special Care for Children	63,464	55,498	5,902	61,400	2,064	
Medicare Part A and B Premiums	243,336	243,336	-	243,336	-	
Renal Disease Medical Care	1,454	1,282	21	1,303	151	
Hemophilia Medical Care	7,000	6,998	-	6,998	2	
Sexual Assault Victims Medical Care	1,500	1,468	29	1,497	3	
Children Health Initiative	7,833	7,264	159	7,423	410	
Health Maintenance Organizations & Managed Care	188,020	187,951	-	187,951	69	
Altgeld Clinic Grants	400	400	-	400	-	
Total Medical Assistance	6,326,427	6,135,220	69,944	6,205,164	121,263	
Kid Care Refunds	96	59	-	59	37	
Total General Revenue Fund - 0001	\$ 7,490,872	\$ 7,258,697	\$ 83,941	\$ 7,342,638	\$ 148,234	

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2006  
(expressed in thousands)

P.A. 94-0015, 94-0798	Appropriations (Net after transfers)	Expenditures through June 30	Lapse period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<b>Road Fund - 0011</b>					
Group Insurance	\$ 126,113	\$ 126,113	-	\$ 126,113	\$ -
<b>University of Illinois Hospital Services Fund - 0136</b>					
U of I Hospital Services	\$ 228,400	\$ 228,370	-	\$ 228,370	\$ 30
<b>Local Government Health Insurance Reserve Fund - 0193</b>					
Personal Services	\$ 575	\$ 494	\$ 14	\$ 508	\$ 67
Employee Retirement Contributions paid by Employer	11	1	-	1	10
State Contribution to State Employees' Retirement System	45	38	2	40	5
Social Security	44	36	1	37	7
Group Insurance	166	120	3	123	43
Contractual Services	170	68	15	83	87
Travel	19	10	-	10	9
Commodities	10	2	-	2	8
Printing	140	1	-	1	139
Equipment	18	-	-	-	18
Electronic Data Processing	47	-	-	-	47
Telecommunications Services	18	2	-	2	16
Operations of Auto Equipment	7	2	1	3	4
Group Health Insurance	95,049	62,836	3,144	65,980	29,069
Total Local Government Health Insurance Reserve Fund - 0193	\$ 96,319	\$ 63,610	\$ 3,180	\$ 66,790	\$ 29,529
<b>Illinois Prescription Drug Discount Program Fund - 0316</b>					
Health Insurance Expenses	\$ 350	\$ -	-	-	\$ 350
<b>County Hospital Services Fund - 0329</b>					
Administrative Expenses	\$ 500	\$ -	-	-	\$ 500
Hospital Provider	1,981,119	1,570,747	39,701	1,610,448	370,671
Overpayment Assessment Refunds	1,000	-	-	-	1,000
Total County Hospital Services Fund - 0329	\$ 1,982,619	\$ 1,570,747	\$ 39,701	\$ 1,610,448	\$ 372,171
<b>Provider Inquiry Trust Fund - 0341</b>					
Provider Inquiry Services	\$ 1,500	\$ 525	\$ 178	\$ 703	\$ 797

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2006  
(expressed in thousands)

P.A. 94-0015, 94-0798	Appropriations (Net after transfers)	Expenditures through June 30	Lapse period		Balances Lapsed August 31
			Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	
<b>Care Provider for Persons with Developmental Disabilities Fund - 0344</b>					
Administrative Expenses	\$ 94	\$ 56	\$ 3	\$ 59	\$ 35
Overpayment Assessment Refunds	1,000	-	-	-	1,000
Total Care Provider for Persons with Developmental Disabilities Fund - 0344	\$ 1,094	\$ 56	\$ 3	\$ 59	\$ 1,035
<b>Long-Term Care Provider Fund - 0345</b>					
Administrative Expenses	\$ 1,402	\$ 826	\$ 36	\$ 862	\$ 540
Long-Term Care Provider Services	821,328	732,734	68,167	800,901	20,427
Overpayment Assessment Refunds	2,750	16	-	16	2,734
Total Long-Term Care Provider Fund - 0345	\$ 825,480	\$ 733,576	\$ 68,203	\$ 801,779	\$ 23,701
<b>Hospital Provider Fund - 0346</b>					
Administrative Expenses	\$ 1,385,500	\$ 161,277	\$ 5,326	\$ 166,603	\$ 1,218,897
<b>Special Education Medicaid Matching Fund - 0355</b>					
Administrative Expenses	\$ 140,000	\$ 127,444	\$ 8,535	\$ 135,979	\$ 4,021
<b>Health and Human Services Medicaid Trust Fund - 0365</b>					
Administrative Expenses	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
<b>Trauma Center Fund - 0397</b>					
Administrative Expenses	\$ 15,000	\$ 8,255	\$ 2,146	\$ 10,401	\$ 4,599
<b>Public Assistance Recoveries Trust Fund - 0421</b>					
Personal Services	\$ 7,247	\$ 6,530	\$ 284	\$ 6,814	\$ 433
Employee Retirement Contributions paid by Employer	32	28	-	28	4
State Contribution to State Employees' Retirement System	565	514	25	539	26
Social Security	547	491	21	512	35
Group Insurance	2,022	1,738	72	1,810	212
Contractual Services	15,961	8,663	2,169	10,832	5,129
Travel	120	70	10	80	40
Commodities	50	17	3	20	30
Printing	25	4	-	4	21
Equipment	774	57	225	282	492
Telecommunications Services	320	71	8	79	241
Total Public Assistance Recoveries Trust Fund - 0421	\$ 27,663	\$ 18,183	\$ 2,817	\$ 21,000	\$ 6,663

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2006  
(expressed in thousands)

P.A. 94-0015, 94-0798	Appropriations (Net after transfers)	Expenditures through June 30	Lapse period		Balances Lapsed August 31
			Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	
<b>Medical Research &amp; Development Fund - 0486</b>	\$ 12,800	\$ 12,800	\$ -	\$ 12,800	\$ -
<b>Post-Tertiary Clinical Services Fund - 0487</b>	\$ 12,800	\$ 12,800	\$ -	\$ 12,800	\$ -
<b>Supplemental Low Income Energy Assistance Fund - 0550</b>	\$ 101,100	\$ 91,296	\$ 1,234	\$ 92,530	\$ 8,570
<b>Good Samaritan Energy Trust Fund - 0555</b>	\$ 2,150	\$ -	\$ 500	\$ 500	\$ 1,650
<b>Juvenile Rehabilitation Services Medicaid Matching Fund- 0575</b>	\$ 8,500	\$ 1,601	\$ 180	\$ 1,781	\$ 6,719
<b>Energy Assistance Contribution Fund - 0610</b>	\$ 300	\$ -	\$ -	\$ -	\$ 300
<b>Family Care Fund - 0720</b>	\$ 40,000	\$ 25,636	\$ 3,492	\$ 29,128	\$ 10,872
<b>Drug Rebate Fund- 0728</b>	\$ 822,800	\$ 822,608	\$ 180	\$ 822,788	\$ 12
<b>Tobacco Settlement Recovery Fund - 0733</b>					
Deposit into Independent Academic Medical Center Fund	\$ 1,000	\$ 1,000	\$ -	\$ 1,000	\$ -
Deposit into Medical Research and Development Fund	6,400	6,400	-	6,400	-
Deposit into Post-Tertiary Clinical Services Fund	6,400	6,400	-	6,400	-
Prescribed Drugs	508,029	327,804	100,080	427,884	80,145
Total Tobacco Settlement Recovery Fund - 0733	\$ 521,829	\$ 341,604	\$ 100,080	\$ 441,684	\$ 80,145
<b>Independent Academic Medical Center Fund - 0735</b>	\$ 2,000	\$ 2,000	\$ -	\$ 2,000	\$ -

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2006  
(expressed in thousands)

P.A. 94-0015, 94-0798	Appropriations (Net after transfers)	Expenditures through June 30	Lapse period		Balances Lapsed August 31
			Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	
<b>Energy Administration Fund - 0737</b>					
Personal Services	\$ 247	\$ 156	\$ 9	\$ 165	\$ 82
Employee Retirement Contributions paid by Employer	2	1	-	1	1
State Contribution to State Employees' Retirement System	19	12	1	13	6
Social Security	19	12	-	12	7
Group Insurance	56	37	2	39	17
Contractual Services	45	4	-	4	41
Travel	40	25	2	27	13
Commodities	2	-	-	-	2
Equipment	9	5	-	5	4
Telecommunications Services	6	2	-	2	4
Operations of Auto Equipment	1	-	-	-	1
Weatherization Program Grants	250	-	-	-	250
Nonprofit Community Organization Grants	17,500	12,577	654	13,231	4,269
Energy Administrative Refunds	300	-	-	-	300
Total Energy Administration Fund - 0737	\$ 18,496	\$ 12,831	\$ 668	\$ 13,499	\$ 4,997
<b>Medicaid Buy-in Program Revolving Fund - 0740</b>					
	\$ 100	\$ 2	\$ -	\$ 2	\$ 98
<b>Child Support Administration Fund - 0757</b>					
Personal Services	\$ 46,497	\$ 44,040	\$ 2,303	\$ 46,343	\$ 154
Employee Retirement Contributions paid by Employer	369	357	3	360	9
State Contribution to State Employees' Retirement System	3,623	3,433	179	3,612	11
Social Security	3,496	3,227	170	3,397	99
Group Insurance	13,404	11,967	530	12,497	907
Contractual Services	66,538	48,007	8,462	56,469	10,069
Travel	522	368	48	416	106
Commodities	319	210	6	216	103
Printing	163	56	21	77	86
Equipment	2,495	273	499	772	1,723
Telecommunications Services	4,327	2,111	566	2,677	1,650
Enhanced Collection Efforts & Paternity Adjudication Demo	12,837	7,489	917	8,406	4,431
Child Support Enforcement Demonstration Projects	1,000	412	181	593	407
State Disbursement Unit Costs	19,006	16,379	1,530	17,909	1,097

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2006  
(expressed in thousands)

P.A. 94-0015, 94-0798	Appropriations (Net after transfers)	Expenditures through June 30	Lapse period		Balances Lapsed August 31
			Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	
Total Child Support Administration Fund - 0757	\$ 174,596	\$ 138,329	\$ 15,415	\$ 153,744	\$ 20,852
<b>Medical Special Purpose Trust Fund- 0808</b>	\$ 8,673	\$ 3,219	\$ 125	\$ 3,344	\$ 5,329
<b>Low Income Home Energy Assistance Block Grant Fund - 0870</b>					
Personal Services	\$ 1,218	\$ 917	\$ 63	\$ 980	\$ 238
Employee Retirement Contributions paid by Employer	21	3	-	3	18
State Contribution to State Employees' Retirement System	95	71	5	76	19
Social Security	93	68	5	73	20
Group Insurance	237	185	13	198	39
Contractual Services	279	137	87	224	55
Travel	117	89	4	93	24
Commodities	8	-	2	2	6
Printing	65	27	16	43	22
Equipment	145	23	-	23	122
Telecommunications Services	586	52	8	60	526
Operations of Auto Equipment	3	-	-	-	3
System Development / Maintenance	1,000	765	120	885	115
Weatherization Program Grants	212,000	137,317	49,213	186,530	25,470
Low Income Home Energy Assistance Program Refunds	600	-	-	-	600
Total Low Income Home Energy Assistance Block Grant Fund - 0870	\$ 216,467	\$ 139,654	\$ 49,536	\$ 189,190	\$ 27,277
<b>Health Insurance Reserve Fund - 0907</b>					
Health Care Coverage	\$ 1,683,284	\$ 1,554,838	\$ 57,630	\$ 1,612,468	\$ 70,816
<b>TOTAL - ALL APPROPRIATED FUNDS</b>	\$ 16,006,805	\$ 13,456,071	\$ 443,070	\$ 13,899,141	\$ 2,107,664

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2006  
(expressed in thousands)

P.A. 94-0015, 94-0798	Appropriations (Net after transfers)	Expenditures through June 30	Lapse period		Balances Lapsed August 31
			Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	
<b><u>NON-APPROPRIATED FUNDS</u></b>					
<b>Teacher Health Insurance Security Fund - 0203</b>					
Administrative Expenses	N/A	\$ 975	\$ 30	\$ 1,005	N/A
Health Care Coverage	N/A	301,653	19,184	320,837	N/A
Total Teacher Health Insurance Security Fund - 0203		\$ 302,628	\$ 19,214	\$ 321,842	
<b>Illinois Prescription Drug Discount Program Fund - 0316</b>					
Health Insurance Payments	N/A	\$ 7	-	\$ 7	N/A
<b>Public Assistance Recoveries Trust Fund - 0421</b>					
Payment to Local Gov. for Serv to Recip.	N/A	\$ 17,510	\$ 2,995	\$ 20,505	N/A
Federal Share Due To General Revenue Fund	N/A	374,832	4,593	379,425	N/A
Refund of TPL Recoveries	N/A	1,799	-	1,799	N/A
Refund of Non-TPL Recoveries	N/A	160	13	173	N/A
Non-Administrative Expenses	N/A	562	-	562	N/A
Early Intervention - Due DHS	N/A	50	20	70	N/A
Total Public Assistance Recoveries Trust Fund - 0421		\$ 394,913	\$ 7,621	\$ 402,534	
<b>Community College Health Insurance Security Fund - 0577</b>					
Administrative Expenses	N/A	\$ 315	\$ 3	\$ 318	N/A
Health Care Coverage	N/A	21,666	1,807	23,473	N/A
Total Community College Health Insurance Security Fund - 0577		\$ 21,981	\$ 1,810	\$ 23,791	

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
For the Fourteen Months Ended August 31, 2006  
(expressed in thousands)

P.A. 94-0015, 94-0798	Appropriations (Net after transfers)	Expenditures through June 30	Lapse period		Balances Lapsed August 31
			Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	
<b>Child Support Enforcement Trust Fund - 0957</b>					
Redirects:					
Illinois TANF Excess Child Support Clients	N/A	\$ 1,745	\$ -	\$ 1,745	N/A
Out-of-State TANF Clients	N/A	10,016	-	10,016	N/A
Illinois Non-TANF Clients	N/A	70,667	-	70,667	N/A
Out-of-State Non-TANF Clients	N/A	33,945	-	33,945	N/A
Total Redirects		116,373	-	116,373	
Refunds\Payments to Other Agencies:					
Disregard of Child Support Payments	N/A	1	-	1	N/A
Refund Responsible Relative - IRS Offsets	N/A	3,068	-	3,068	N/A
Refund Responsible Relative - IRS pre N/A	N/A	21	-	21	N/A
Refund Responsible Relative - State Offsets	N/A	426	-	426	N/A
Refund Responsible Relative - State pre N/A	N/A	3	-	3	N/A
Refund Responsible Relative - Courts or Third Parties	N/A	1,164	-	1,164	N/A
Refund Responsible Relative - Courts or Third Parties Out of State	N/A	2	-	2	N/A
Refund Responsible Relative - Courts or Third Parties N/A Out of State	N/A	2	-	2	N/A
Refunds/IRS Offset Nonpublic Aid Clients	N/A	46	-	46	N/A
Refunds/State Offset Nonpublic Aid Clients	N/A	10	-	10	N/A
Refund - Nonassistance Clients	N/A	1,622	-	1,622	N/A
Unclaimed Property	N/A	11	-	11	N/A
Interest Penalty/State Refund	N/A	-	-	-	N/A
Interest Paid to Clients, DCFIS, Others	N/A	15	-	15	N/A
Reimburse DCFIS Title IV-E	N/A	1,396	172	1,568	N/A
Total Refunds\Payments to Other Agencies		7,787	172	7,959	
Total Child Support Enforcement Trust Fund - 0957		\$ 124,160	\$ 172	\$ 124,332	
<b>TOTAL - ALL NON-APPROPRIATED FUNDS</b>		<b>\$ 843,689</b>	<b>\$ 28,817</b>	<b>\$ 872,506</b>	
<b>ALL FUNDS</b>					
All Appropriated Funds		\$ 13,456,071	\$ 443,070	\$ 13,899,141	
All Non-Appropriated Funds		843,689	28,817	872,506	
<b>GRAND TOTAL - ALL FUNDS</b>		<b>\$ 14,299,760</b>	<b>\$ 471,887</b>	<b>\$ 14,771,647</b>	

Note: The data contained in this schedule are taken from agency records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015	P.A. 93-0842
	P.A. 94-0798	P.A. 93-0842
<b>General Revenue Fund - 0001</b>		
Appropriations (net after transfers)	\$ 7,490,872	\$ 6,030,291
Expenditures:		
Administrative:		
Personal Services	50,964	53,675
Employee Retirement Contribution Paid by Employer	272	45
State Contribution to State Employees Retirement System	3,977	8,482
Social Security	3,749	3,876
Contractual Services	25,304	12,502
Travel	728	698
Commodities	381	392
Printing	623	889
Equipment	465	130
Telecommunications Services	2,555	2,863
Operation of Auto Equipment	93	68
Medical Management Services	8,231	9,011
Information Systems (Medical Eligibility)	1,007	1,063
Med Level - Medical Data Warehouse	3,826	3,498
Deposit into Child Support Administrative Fund	31,008	31,008
Group Insurance	1,004,232	-
Total Administrative and Group Insurance	<u>1,137,415</u>	<u>128,200</u>
Medical Assistance	6,205,164	4,861,386
Kid Care Refunds	<u>59</u>	<u>81</u>
Total Expenditures	<u>7,342,638</u>	<u>4,989,667</u>
Lapsed Balances	<u>\$ 148,234</u>	<u>\$ 1,040,624</u>
<b>Road Fund - 0011 (1)</b>		
Appropriations (net after transfers)	\$ 126,113	\$ -
Expenditures:		
Group Insurance	<u>126,113</u>	<u>-</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015 P.A. 94-0798	P.A. 93-0842
<b>University of Illinois Hospital Services Fund - 0136</b>		
Appropriations (net after transfers)	\$ 228,400	\$ 173,400
Expenditures:		
U of I Hospital Services	228,370	173,378
Lapsed Balances	<u>\$ 30</u>	<u>\$ 22</u>
 <b>Local Government Health Insurance Reserve Fund - 0193 (1)</b>		
Appropriations (net after transfers)	\$ 96,319	\$ -
Expenditures:		
Personal Services	508	-
Employee Retirement Contribution Paid by Employer	1	-
State Contribution to State Employees Retirement System	40	-
Social Security	37	-
Group Insurance	123	-
Contractual Services	83	-
Travel	10	-
Commodities	2	-
Printing	1	-
Equipment	-	-
Electronic Data Processing	-	-
Telecommunications Services	2	-
Operations of Auto Equipment	3	-
Group Health Insurance	65,980	-
Total Expenditures	<u>66,790</u>	<u>-</u>
Lapsed Balances	<u>\$ 29,529</u>	<u>\$ -</u>
 <b>Illinois Prescription Drug Discount Program Fund - 0316 (1)</b>		
Appropriations (net after transfers)	\$ 350	\$ -
Expenditures:		
Health Insurance Expenses	-	-
Lapsed Balances	<u>\$ 350</u>	<u>\$ -</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015	
	P.A. 94-0798	P.A. 93-0842
<b>County Hospital Services Fund - 0329</b>		
Appropriations (net after transfers)	\$ 1,982,619	\$ 1,982,619
Expenditures:		
Administrative Expenses	-	-
Hospital Provider	1,610,448	1,786,285
Overpayment Assessment Refunds	-	-
Total Expenditures	<u>1,610,448</u>	<u>1,786,285</u>
Lapsed Balances	<u>\$ 372,171</u>	<u>\$ 196,334</u>
<b>Provider Inquiry Trust Fund - 0341</b>		
Appropriations (net after transfers)	\$ 1,500	\$ 1,500
Expenditures:		
Provider Inquiry Services	<u>703</u>	<u>728</u>
Lapsed Balances	<u>\$ 797</u>	<u>\$ 772</u>
<b>Care Provider for Persons with Developmental Disabilities Fund - 0344</b>		
Appropriations (net after transfers)	\$ 1,094	\$ 1,094
Expenditures:		
Administrative Expenses	59	61
Overpayment Assessment Refunds	-	-
Total Expenditures	<u>59</u>	<u>61</u>
Lapsed Balances	<u>\$ 1,035</u>	<u>\$ 1,033</u>
<b>Long-Term Care Provider Fund - 0345</b>		
Appropriations (net after transfers)	\$ 825,480	\$ 825,480
Expenditures:		
Administrative Expenses	862	934
Long-Term Care Provider Services	800,901	547,980
Overpayment Assessment Refunds	16	41
Total Expenditures	<u>801,779</u>	<u>548,955</u>
Lapsed Balances	<u>\$ 23,701</u>	<u>\$ 276,525</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015	P.A. 93-0842
	P.A. 94-0798	P.A. 93-0842
<b>Hospital Provider Fund - 0346</b>		
Appropriations (net after transfers)	\$ 1,385,500	\$ 1,020,037
Expenditures:		
Hospitals	166,603	978,756
Medical Assistance Providers	-	34,886
Total Expenditures	<u>166,603</u>	<u>1,013,642</u>
Lapsed Balances	<u>\$ 1,218,897</u>	<u>\$ 6,395</u>
<b>Special Education Medicaid Matching Fund - 0355</b>		
Appropriations (net after transfers)	\$ 140,000	\$ 240,000
Expenditures:		
Administrative Expenses	<u>135,979</u>	<u>113,757</u>
Lapsed Balances	<u>\$ 4,021</u>	<u>\$ 126,243</u>
<b>Health and Human Services Medicaid Trust Fund - 0365</b>		
Appropriations (net after transfers)	\$ 60,000	\$ 184,000
Expenditures:		
Long Term Care Services	-	59,269
Medical Assistance Providers	-	123,932
Total Expenditures	<u>-</u>	<u>183,201</u>
Lapsed Balances	<u>\$ 60,000</u>	<u>\$ 799</u>
<b>Trauma Center Fund - 0397</b>		
Appropriations (net after transfers)	\$ 15,000	\$ 15,000
Expenditures:		
Trauma Centers	<u>10,401</u>	<u>9,068</u>
Lapsed Balances	<u>\$ 4,599</u>	<u>\$ 5,932</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015 P.A. 94-0798	P.A. 93-0842
<b>Public Assistance Recoveries Trust Fund - 0421</b>		
Appropriations (net after transfers)	\$ 27,663	\$ 28,677
Expenditures:		
Personal Services	6,814	6,981
Employee Retirement Contribution Paid by Employer	28	84
State Contribution to State Employees Retirement System	539	1,111
Social Security	512	516
Group Insurance	1,810	1,744
Contractual Services	10,832	14,166
Travel	80	80
Commodities	20	23
Printing	4	6
Equipment	282	17
Telecommunications Services	79	227
Total Expenditures	<u>21,000</u>	<u>24,955</u>
Lapsed Balances	<u>\$ 6,663</u>	<u>\$ 3,722</u>
<b>Medical Research &amp; Development Fund - 0486</b>		
Appropriations (net after transfers)	\$ 12,800	\$ 12,800
Expenditures:		
Awards and Grants	<u>12,800</u>	<u>12,800</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>
<b>Post-Tertiary Clinical Services Fund - 0487</b>		
Appropriations (net after transfers)	\$ 12,800	\$ 12,800
Expenditures:		
Awards and Grants	<u>12,800</u>	<u>12,800</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015	P.A. 93-0842
	P.A. 94-0798	P.A. 93-0842
<b>Supplemental Low Income Energy Assistance Fund - 0550</b>		
Appropriations (net after transfers)	\$ 101,100	\$ 88,748
Expenditures:		
Awards and Grants	92,530	85,010
Lapsed Balances	<u>\$ 8,570</u>	<u>\$ 3,738</u>
<b>Good Samaritan Energy Trust Fund - 0555</b>		
Appropriations (net after transfers)	\$ 2,150	\$ 500
Expenditures:		
Awards and Grants	500	-
Lapsed Balances	<u>\$ 1,650</u>	<u>\$ 500</u>
<b>Juvenile Rehabilitation Services Medicaid Matching Fund - 0575</b>		
Appropriations (net after transfers)	\$ 8,500	\$ 8,500
Expenditures:		
Juvenile Behavioral Health Services	1,781	1,396
Lapsed Balances	<u>\$ 6,719</u>	<u>\$ 7,104</u>
<b>Energy Assistance Contribution Fund - 0610</b>		
Appropriations (net after transfers)	\$ 300	\$ 300
Expenditures:		
Energy Assistance Programs	-	-
Lapsed Balances	<u>\$ 300</u>	<u>\$ 300</u>
<b>Family Care Fund - 0720</b>		
Appropriations (net after transfers)	\$ 40,000	\$ 40,000
Expenditures:		
Medical Assistance	29,128	14,600
Lapsed Balances	<u>\$ 10,872</u>	<u>\$ 25,400</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015	P.A. 93-0842
	P.A. 94-0798	P.A. 93-0842
<b>Drug Rebate Fund - 0728</b>		
Appropriations (net after transfers)	\$ 822,800	\$ 427,000
Expenditures:		
Prescribed Drugs	822,788	427,000
Lapsed Balances	\$ 12	\$ -
<b>Tobacco Settlement Recovery Fund - 0733</b>		
Appropriations (net after transfers)	\$ 521,829	\$ 386,953
Expenditures:		
Fund Transfers	13,800	13,800
Prescribed Drugs	427,884	372,921
Total Expenditures	441,684	386,721
Lapsed Balances	\$ 80,145	\$ 232
<b>Independent Academic Medical Center Fund - 0735</b>		
Appropriations (net after transfers)	\$ 2,000	\$ 2,000
Expenditures:		
Lump Sums	2,000	2,000
Lapsed Balances	\$ -	\$ -

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015 P.A. 94-0798	P.A. 93-0842
<b>Energy Administration Fund - 0737</b>		
Appropriations (net after transfers)	\$ 18,496	\$ 18,483
Expenditures:		
Personal Services	165	189
Employee Retirement Contribution Paid by Employer	1	4
State Contribution to State Employees Retirement System	13	30
Social Security	12	14
Group Insurance	39	40
Contractual Services	4	4
Travel	27	30
Commodities	-	-
Equipment	5	-
Telecommunications Services	2	5
Operations of Auto Equipment	-	-
Weatherization Program Grants	-	23
Nonprofit Community Organization Grants	13,231	13,385
Energy Administrative Refunds	-	17
Total Expenditures	<u>13,499</u>	<u>13,741</u>
Lapsed Balances	<u>\$ 4,997</u>	<u>\$ 4,742</u>
 <b>Medicaid Buy-in Program Revolving Fund - 0740</b>		
Appropriations (net after transfers)	\$ 100	\$ 100
Expenditures:		
Medical Assistance	<u>2</u>	<u>1</u>
Lapsed Balances	<u>\$ 98</u>	<u>\$ 99</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015 P.A. 94-0798	P.A. 93-0842
<b>Child Support Administration Fund - 0757</b>		
Appropriations (net after transfers)	\$ 174,596	\$ 169,439
Expenditures:		
Personal Services	46,343	45,586
Employee Retirement Contribution Paid by Employer	360	979
State Contribution to State Employees Retirement System	3,612	7,318
Social Security	3,397	3,332
Group Insurance	12,497	11,761
Contractual Services	56,469	45,861
Travel	416	471
Commodities	216	256
Printing	77	155
Equipment	772	330
Telecommunications Services	2,677	4,304
Enhanced Collection Efforts & Paternity Adjudication Demo	8,406	8,610
Child Support Enforcement Demonstration Projects	593	403
State Disbursement Unit Costs	17,909	16,876
Total Expenditures	<u>153,744</u>	<u>146,242</u>
Lapsed Balances	<u>\$ 20,852</u>	<u>\$ 23,197</u>
<b>Medical Special Purpose Trust Fund - 0808</b>		
Appropriations (net after transfers)	\$ 8,673	\$ 8,673
Expenditures		
Health Insurance Portability and Accountability Act Costs	<u>3,344</u>	<u>6,096</u>
Lapsed Balances	<u>\$ 5,329</u>	<u>\$ 2,577</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015 P.A. 94-0798	P.A. 93-0842
<b>Low Income Home Energy Assistance Block Grant Fund - 0870</b>		
Appropriations (net after transfers)	\$ 216,467	\$ 204,322
Expenditures:		
Personal Services	980	827
Employee Retirement Contribution Paid by Employer	3	21
State Contribution to State Employees Retirement System	76	132
Social Security	73	62
Group Insurance	198	155
Contractual Services	224	143
Travel	93	103
Commodities	2	-
Printing	43	52
Equipment	23	6
Telecommunications Services	60	35
Operations of Auto Equipment	-	-
System Development / Maintenance	885	335
Weatherization Program Grants	186,530	104,817
Low Income Home Energy Assistance Program Refunds	-	-
Total Expenditures	<u>189,190</u>	<u>106,688</u>
Lapsed Balances	<u>\$ 27,277</u>	<u>\$ 97,634</u>
<b>Health Insurance Reserve Fund - 0907 (1)</b>		
Appropriations (net after transfers)	\$ 1,683,284	\$ -
Expenditures:		
Health Care Coverage	<u>1,612,468</u>	<u>-</u>
Lapsed Balances	<u>\$ 70,816</u>	<u>\$ -</u>
<b>TOTAL - ALL APPROPRIATED FUNDS</b>		
Appropriations (net after transfers)	\$ 16,006,805	\$ 11,882,716
Total Expenditures	<u>13,899,141</u>	<u>10,058,792</u>
Lapsed Balances	<u>\$ 2,107,664</u>	<u>\$ 1,823,924</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015	
	P.A. 94-0798	P.A. 93-0842
<b>NON-APPROPRIATED FUNDS</b>		
<b>Teacher Health Insurance Security Fund - 0203 (1)</b>		
Administrative Expenses	\$ 1,005	\$ -
Health Care Coverage	320,837	-
Total Expenditures	\$ 321,842	\$ -
<b>Illinois Prescription Drug Discount Program Fund - 0316 (1)</b>		
Health Insurance Payments	\$ 7	\$ -
<b>Public Assistance Recoveries Trust Fund - 0421</b>		
Payment to Local Gov. for Serv to Recip.	\$ 20,505	\$ 7,498
Federal Share Due To General Revenue Fund	379,425	327,457
Refund of TPL Recoveries	1,799	772
Refund of Non-TPL Recoveries	173	122
Non-Administrative Expenses	562	29
Early Intervention - Due DHS	70	78
Total Expenditures	\$ 402,534	\$ 335,956
<b>Community College Health Insurance Security Fund - 0577 (1)</b>		
Administrative Expenses	\$ 318	\$ -
Health Care Coverage	23,473	-
Total Expenditures	\$ 23,791	\$ -

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES**  
For the Fiscal Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	Fiscal Year	
	2006	2005
	P.A. 94-0015	P.A. 93-0842
	P.A. 94-0798	P.A. 93-0842
<b>NON-APPROPRIATED FUNDS (continued)</b>		
<b>Child Support Enforcement Trust Fund - 0957</b>		
Interest Penalty/St. Ref.	\$ -	\$ 1
Interest Paid to Clients, DCFS, Other	15	-
Redirect IL	1,745	1,881
Pass Through - TANF	1	2
Refund - IRS Offset	3,068	3,206
Refund - State Offset	426	416
Refund - Responsible Relative	1,164	982
DCFS TANF Re/IV-E	1,568	1,230
Redirect TANF - Out of State	10,016	10,014
Redirect IL - NA	70,667	62,982
Redirect NA - Out of State	33,945	30,197
Refund - IRS Non-Recipient	46	84
Refund - State - Non-Recipient	10	-
Refund - NA Clients	1,622	1,228
Refund - Responsible Relative	28	55
Unclaimed Property	11	146
Total Expenditures	<u>\$ 124,332</u>	<u>\$ 112,424</u>
<b>TOTAL - ALL NON-APPROPRIATED FUNDS</b>	<u>\$ 872,506</u>	<u>\$ 448,380</u>
<b>GRAND TOTAL - ALL FUNDS</b>	<u><u>\$ 14,771,647</u></u>	<u><u>\$ 10,507,172</u></u>
<b>State Officers' Salaries</b>		
<b>General Revenue Fund - 0001</b>		
Appropriations (net after transfers)	\$ 224	\$ 224
Expenditures:		
Director's salary (2)	123	121
Assistant Director's salary (2)	84	-
Total Expenditures	<u>207</u>	<u>121</u>
Lapsed Balances	<u><u>\$ 17</u></u>	<u><u>\$ 103</u></u>

(1) New funds for Department, activity transferred from the Department of Central Management Services.

(2) Note: State Officers' salaries are paid from the appropriation for the Office of the Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF EFFICIENCY INITIATIVE PAYMENTS**  
For the Years Ended June 30, 2006 and 2005

	2006	2005
<b><u>Information Technology Initiatives</u></b>		
General Revenue Fund-0001		
Telecommunications Services	\$ -	\$ 486,656
Public Assistance Recoveries Trust Fund-0421		
Contractual Services	-	5,587,100
Telecommunications Services	-	150,600
Child Support Administrative Fund-0757		
Contractual Services	-	2,065,200
Telecommunications Services	-	690,300
Sub-Total	\$ -	\$ 8,979,856
Grand Total	\$ -	\$ 8,979,856

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Department and reconciled to information from the Office of the Comptroller.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**LOCALLY HELD FUNDS**  
**CASH BASIS SCHEDULE**  
For the Year Ended June 30, 2006  
(expressed in thousands)

	2006
<b><u>Public Aid Emergency Revolving Fund</u></b>	
An imprest fund used to provide emergency aid to recipients.	
Beginning balance	\$ 305
Receipts (including cash on hand and in-transit)	441
Disbursements	(421)
Ending balance	\$ 325
 <b><u>Local Government Health Insurance Reserve Local Fund</u> (1)</b>	
Beginning balance	\$ 2,679
Receipts (including cash on hand and in-transit)	29,241
Disbursements	(29,729)
Ending balance	\$ 2,191
 <b><u>Teacher Health Insurance Security Local Fund</u> (1)</b>	
Beginning balance	\$ 6,361
Receipts (including cash on hand and in-transit)	153,460
Disbursements	(153,061)
Ending balance	\$ 6,760
 <b><u>Community College Health Insurance Security Local Fund</u> (1)</b>	
Beginning balance	\$ 563
Receipts (including cash on hand and in-transit)	12,515
Disbursements	(12,182)
Ending balance	\$ 896
 <b><u>Health Insurance Reserve Local Fund</u> (1)</b>	
Beginning balance	\$ 29,843
Receipts (including cash on hand and in-transit)	752,420
Disbursements	(712,603)
Ending balance	\$ 69,660

(1) Fund transferred to the Department effective July 1, 2005.

These four funds are used for payments of insurance claims to claimants and providers

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
For the Year Ended June 30, 2006  
(expressed in thousands)

	<u>Equipment</u>
Balance at July 1, 2005	\$ 44,694
Additions	1,364
Deletions	(2,835)
Net Transfers	(102)
Balance at June 30, 2006	\$ 43,121

Notes:

This summary schedule has been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the Comptroller.

The Department's State property is composed of equipment items only.

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with accounting principles generally accepted in the United States of America.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND TRANSFERS**  
For the Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	<u>2006</u>	<u>2005</u>
<b>General Revenue Fund - 0001</b>		
Federal government	\$ 3,628,760	\$ 3,216,639
Federal reimbursable portion due from the Public Assistance Recoveries Trust Fund	378,834	327,332
Repayment to State pursuant to law	-	1
Federal monies via other Illinois agency	-	38
Investment income	579	274
Local Illinois governmental units	349,689	433,166
Recipient collections	3,779	3,106
Fund transfers	7	81
Miscellaneous	54	3
Total cash receipts per Department	<u>4,361,702</u>	<u>3,980,640</u>
Add: Transfers from other funds	87,210	1,501,961
Total cash receipts and transfers per Department	<u>4,448,912</u>	<u>5,482,601</u>
<b>University of Illinois Hospital Services Fund - 0136</b>		
Federal government	140,853	108,594
Other Illinois State agencies	94,322	64,866
Total cash receipts per Department	<u>235,175</u>	<u>173,460</u>
Add: Transfers from other funds	44,700	44,700
Total cash receipts and transfers per Department	<u>279,875</u>	<u>218,160</u>
<b>Community Developmental Disability Services Medicaid Trust Fund - 0142 (1)</b>		
Federal government	8,566	-
Total cash receipts per Department	<u>8,566</u>	<u>-</u>
<b>County Hospital Services Fund - 0329</b>		
Federal government	813,781	889,817
Provider participation fees	816,171	895,752
Total cash receipts per Department	<u>1,629,952</u>	<u>1,785,569</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND TRANSFERS**  
For the Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	<u>2006</u>	<u>2005</u>
<b>Provider Inquiry Trust Fund - 0341</b>		
User Fees/Private Organizations or Individuals	742	805
Total cash receipts per Department	<u>742</u>	<u>805</u>
<b>Care Provider For Persons with Developmental Disabilities Fund - 0344</b>		
Federal government	19,743	17,665
Provider taxes	20,447	20,500
Total cash receipts per Department	<u>40,190</u>	<u>38,165</u>
<b>Long-Term Care Provider Fund - 0345</b>		
Federal government	341,742	254,520
Provider taxes	52,243	52,184
Local governmental units	71,373	70,687
Total cash receipts per Department	<u>465,358</u>	<u>377,391</u>
Add: Transfers from other funds	83,353	14
Total cash receipts and transfers per Department	<u>548,711</u>	<u>377,405</u>
<b>Hospital Provider Fund - 0346</b>		
Federal government	78,957	507,837
Provider taxes	-	637,040
Total cash receipts per Department	<u>78,957</u>	<u>1,144,877</u>
Add: Transfers from other funds	83,333	978,516
Total cash receipts and transfers per Department	<u>162,290</u>	<u>2,123,393</u>
<b>Special Education Medicaid Matching Fund - 0355</b>		
Federal government	132,339	116,428
Total cash receipts per Department	<u>132,339</u>	<u>116,428</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND TRANSFERS**  
For the Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	2006	2005
<b>Health and Human Services Medicaid Trust Fund - 0365</b>		
Federal government	-	91,483
Add: Transfers from other funds	-	127,316
Total cash receipts and transfers per Department	-	218,799
<b>Medicaid Provider Relief Fund - 0367</b>		
Federal government	-	37,122
Total cash receipts per Department	-	37,122
<b>Trauma Center Fund - 0397</b>		
Federal government	5,429	4,369
Total cash receipts per Department	5,429	4,369
<b>Protest Fund - 0401</b>		
Health Care Provider Tax	12	27
Total cash receipts per Department	12	27
<b>Public Assistance Recoveries Trust Fund - 0421</b>		
Federal government	38,577	9,924
Recipient collections	30,281	29,844
3rd party collections - Pharmacy assistance	1,720	711
Court and Anti-Trust Distributions	839	-
Private organizations or individuals	748,890	649,836
Total cash receipts per Department	820,307	690,315
<b>Medical Research &amp; Development Fund - 0486</b>		
Federal government	6,401	6,401
Fund transfers	6,400	6,400
Total cash receipts per Department	12,801	12,801

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND TRANSFERS**  
For the Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	<u>2006</u>	<u>2005</u>
<b>Post-Tertiary Clinical Services Fund - 0487</b>		
Federal government	6,401	6,401
Fund transfers	6,400	6,400
Total cash receipts per Department	<u>12,801</u>	<u>12,801</u>
<b>Early Intervention Services Revolving Fund - 0502</b>		
Federal government	27,411	26,313
Total cash receipts per Department	<u>27,411</u>	<u>26,313</u>
<b>Good Samaritan Energy Trust Fund - 0555</b>		
Private organizations or individuals	2,002	31
Total cash receipts per Department	<u>2,002</u>	<u>31</u>
<b>Juvenile Rehabilitation Services Medicaid Matching Fund - 0575</b>		
Federal government	1,799	1,622
Total cash receipts per Department	<u>1,799</u>	<u>1,622</u>
<b>Community Mental Health Medicaid Trust Fund - 0718</b>		
Federal government	79,690	74,497
Total cash receipts per Department	<u>79,690</u>	<u>74,497</u>
<b>Family Care Fund - 0720</b>		
Other Illinois State agencies	10,198	9,069
Reimbursements	19,912	5,389
Total cash receipts per Department	<u>30,110</u>	<u>14,458</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND TRANSFERS**  
For the Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	<u>2006</u>	<u>2005</u>
<b>Drug Rebate Fund - 0728</b>		
Federal government	398,089	211,095
Add: Transfers from other funds	424,125	282,520
Total cash receipts and transfers per Department	<u>822,214</u>	<u>493,615</u>
<b>Tobacco Settlement Recovery Fund - 0733</b>		
Federal government	<u>103,956</u>	<u>176,056</u>
Total cash receipts per Department	<u>103,956</u>	<u>176,056</u>
<b>Independent Academic Medical Center Fund - 0735</b>		
Federal government	1,000	1,000
Fund transfers	<u>1,000</u>	<u>1,000</u>
Total cash receipts per Department	<u>2,000</u>	<u>2,000</u>
<b>Energy Administration Fund - 0737</b>		
Federal government	13,815	12,930
Program income	-	18
Total cash receipts per Department	<u>13,815</u>	<u>12,948</u>
<b>Medicaid Buy-In Program Revolving Fund - 0740</b>		
Recipient collections	<u>476</u>	<u>425</u>
Total cash receipts per Department	<u>476</u>	<u>425</u>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND TRANSFERS**  
For the Years Ended June 30, 2006 and 2005  
(expressed in thousands)

	<u>2006</u>	<u>2005</u>
<b>Child Support Administration Fund - 0757</b>		
Federal government	97,156	85,212
Fund transfers	31,008	31,008
Repayment to State pursuant to law	26	35
Total cash receipts per Department	<u>128,190</u>	<u>116,255</u>
Add: Transfers from other funds	30,000	36,500
Total cash receipts and transfers per Department	<u>158,190</u>	<u>152,755</u>
 <b>Medical Special Purpose Trust Fund - 0808</b>		
Federal government	1,748	6,879
Federal monies via other Illinois agency	100	-
Contracts & Grants - Private Organizations	608	210
Total cash receipts per Department	<u>2,456</u>	<u>7,089</u>
 <b>Low Income Home Energy Assistance Block Grant Fund - 0870</b>		
Federal government	145,355	101,140
Total cash receipts per Department	<u>145,355</u>	<u>101,140</u>
 <b>Health Insurance Reserve Fund - 0907 (2)</b>		
Fund transfers	1,128,192	-
Total cash receipts per Department	<u>1,128,192</u>	<u>-</u>
 <b>Child Support Enforcement Trust Fund - 0957</b>		
Child Support Collections	151,860	141,728
Repayment to State pursuant to law	3,938	3,205
Total cash receipts per Department	<u>155,798</u>	<u>144,933</u>
 <b>GRAND TOTAL - ALL FUNDS</b>	<u><u>\$ 10,776,391</u></u>	<u><u>\$ 12,326,642</u></u>

(1) This is a new fund for fiscal year 2006.

(2) This fund was reported by the Department of Central Management Services in fiscal year 2005.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
RECONCILIATION OF CASH RECEIPTS AND TRANSFERS  
TO DEPOSITS REMITTED TO THE COMPTROLLER

For the Year Ended June 30, 2006  
(expressed in thousands)

	0001	0136	0142	0329	0341
		University of Illinois Hospital Services Fund	Community Developmental Disability Services Medicaid Trust Fund	County Hospital Services Fund	Provider Inquiry Trust Fund
Total cash receipts and transfers per Department	\$ 4,448,912	\$ 279,875	\$ 8,566	\$ 1,629,952	\$ 742
Less - In transit at June 30, 2006	(625)	-	-	-	(54)
Less - Transfers Not Reported on Comptroller's Report	(87,210)	(44,700)	-	-	-
Add - In transit at June 30, 2005	116	744	-	-	63
Add - PY Refunds/Warrant Voids on Comptroller's Report	174	-	-	-	-
Total cash receipts and transfers per Comptroller	\$ 4,361,367	\$ 235,919	\$ 8,566	\$ 1,629,952	\$ 751

	0344	0345	0346	0355	0365
	Care Provider for Persons with Developmental Disabilities Fund	Long-Term Care Provider Fund	Hospital Provider Fund	Special Education Medicaid Matching Fund	Health and Human Services Medicaid Trust Fund
Total cash receipts and transfers per Department	\$ 40,190	\$ 548,711	\$ 162,290	\$ 132,339	\$ -
Less - In transit at June 30, 2006	(8)	(4,745)	-	-	-
Less - Transfers Not Reported on Comptroller's Report	-	(83,353)	(83,333)	-	-
Add - In transit at June 30, 2005	-	5,572	-	-	-
Add - PY Refunds/Warrant Voids on Comptroller's Report	-	-	-	-	-
Total cash receipts and transfers per Comptroller	\$ 40,182	\$ 466,185	\$ 78,957	\$ 132,339	\$ -

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**RECONCILIATION OF CASH RECEIPTS AND TRANSFERS  
TO DEPOSITS REMITTED TO THE COMPTROLLER**

For the Year Ended June 30, 2006  
(expressed in thousands)

	0397	0401	0421	0486	0487
			Public		
	Trauma Center Fund	Protest Fund	Assistance Recoveries Trust Fund	Medical Research & Development Fund	Post-Tertiary Clinical Services Fund
Total cash receipts and transfers per Department	\$ 5,429	\$ 12	\$ 820,307	\$ 12,801	\$ 12,801
Less - In transit at June 30, 2006	-	-	(5,064)	-	-
Less - Transfers Not Reported on Comptroller's Report	-	-	-	-	-
Add - In transit at June 30, 2005	-	-	2,316	-	-
Add - PY Refunds/Warrant Voids on Comptroller's Report	-	-	-	-	-
<b>Total cash receipts and transfers per Comptroller</b>	<b>\$ 5,429</b>	<b>\$ 12</b>	<b>\$ 817,559</b>	<b>\$ 12,801</b>	<b>\$ 12,801</b>

	0502	0550	0555	0575	0718
		Supplemental Low-Income	Good - Samaritan Energy Trust Fund	Juvenile Rehabilitation Services Medicaid Matching Fund	Community Mental Health Medicaid Trust Fund
	Early Intervention Services Revolving Fund	Energy Assistance Fund	Energy Trust Fund	Rehabilitation Services Medicaid Matching Fund	Community Mental Health Medicaid Trust Fund
Total cash receipts and transfers per Department	\$ 27,411	\$ -	\$ 2,002	\$ 1,799	\$ 79,690
Less - In transit at June 30, 2006	-	-	-	-	-
Less - Transfers Not Reported on Comptroller's Report	-	-	-	-	-
Add - In transit at June 30, 2005	-	-	-	-	-
Add - PY Refunds/Warrant Voids on Comptroller's Report	-	98	-	71	-
<b>Total cash receipts and transfers per Comptroller</b>	<b>\$ 27,411</b>	<b>\$ 98</b>	<b>\$ 2,002</b>	<b>\$ 1,870</b>	<b>\$ 79,690</b>

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
RECONCILIATION OF CASH RECEIPTS AND TRANSFERS  
TO DEPOSITS REMITTED TO THE COMPTROLLER

For the Year Ended June 30, 2006  
(expressed in thousands)

	0720	0728	0733	0735	0737
			Tobacco	Independent Academic	
	Family Care Fund	Drug Rebate Fund	Settlement Recovery Fund	Medical Center Fund	Energy Administration Fund
Total cash receipts and transfers per Department	\$ 30,110	\$ 822,214	\$ 103,956	\$ 2,000	\$ 13,815
Less - In transit at June 30, 2006	-	-	-	-	-
Less - Transfers Not Reported on Comptroller's Report	-	(424,125)	-	-	-
Add - In transit at June 30, 2005	100	-	-	-	-
Add - PY Refunds/Warrant Voids on Comptroller's Report	3	-	59	-	56
Total cash receipts and transfers per Comptroller	\$ 30,213	\$ 398,089	\$ 104,015	\$ 2,000	\$ 13,871

	0740	0757	0808	0870	0907
				Low Income	
	Medicaid Buy-In Program Revolving Fund	Child Support Administration Fund	Medical Special Purpose Trust Fund	Home Energy Assistance Block Grant Fund	Health Insurance Reserve Fund
Total cash receipts and transfers per Department	\$ 476	\$ 158,190	\$ 2,456	\$ 145,355	\$ 1,128,192
Less - In transit at June 30, 2006	(5)	-	(125)	-	-
Less - Transfers Not Reported on Comptroller's Report	-	(30,000)	-	-	-
Add - In transit at June 30, 2005	5	-	50	-	-
Add - PY Refunds/Warrant Voids on Comptroller's Report	-	74	-	209	-
Total cash receipts and transfers per Comptroller	\$ 476	\$ 128,264	\$ 2,381	\$ 145,564	\$ 1,128,192

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**RECONCILIATION OF CASH RECEIPTS AND TRANSFERS  
TO DEPOSITS REMITTED TO THE COMPTROLLER**

For the Year Ended June 30, 2006  
(expressed in thousands)

	0957 Child Support Enforcement Trust Fund	Total All Funds
Total cash receipts and transfers per Department	\$ 155,798	\$ 10,776,391
Less - In transit at June 30, 2006	(1,457)	(12,083)
Less - Transfers Not Reported on Comptroller's Report	-	(752,721)
Add - In transit at June 30, 2005	724	9,690
Add - PY Refunds/Warrant Voids on Comptroller's Report	208	952
Total cash receipts and transfers per Comptroller	\$ 155,273	\$ 10,022,229

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2006

The following is a summary of explanations for significant fluctuations in appropriated expenditures incurred by the Department for the fiscal year ended June 30, 2006 as compared to the fiscal year ended June 30, 2005. Included are explanations for variances to the General Funds (Major Fund) greater than \$1 million and 15%, and explanations for variances to the Road Fund (Major Fund), Non-Major Governmental Funds, Proprietary Funds and Fiduciary Funds greater than \$300 thousand and 15%. Dollar amounts are in thousands unless otherwise stated. The Department's total appropriated expenditures for fiscal years ended June 30, 2006 and 2005 are presented in the "Comparative Schedule of Appropriations, Expenditures and Lapsed Balances" of this report.

**GENERAL FUNDS**

**General Revenue Fund – 0001**

State Contribution to State Employees' Retirement System

The decrease of \$4,505 (53.1%) in state contributions to state employees' retirement system expenditures was due to the overall State employee retirement rate decrease from 16.107% to 7.792%.

Contractual Services

The increase of \$12,802 (102.4%) was due to fiscal year 2006 being the first year for payments to the Facilities Management Revolving Fund for the consolidation of facilities management at the Department of Central Management Services (CMS). In addition, there was an increase in statistical services payments due to the consolidation of information technology service at CMS. Further, there were payments to a contractor for the promotion of the All Kids program.

Group Insurance

Expenditures increased 100% due to Executive Order 2005-3 transferring the state healthcare purchasing function from the Department of Central Management Services to the Department in fiscal year 2006. Included in the transfer to the Department were the expenditures from the General Revenue Fund to the Health Insurance Reserve Fund.

Medical Assistance

Medical assistance expenditures increased \$1,343,778 (27.6%) due to increased appropriation authority allowing for an increase in the number of claims paid including the carryover of bills on hand from fiscal year 2005.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2006

**University of Illinois Hospital Services Fund – 0136**

U of I Hospital Services

Hospital Services expenditures increased \$54,992 (31.7%) due to the fiscal year 2005 appropriation authority being exhausted before the end of the fiscal year. However, in fiscal year 2006 there was an increased appropriation authority allowing for increased spending for the carryover of fiscal year 2005 bills on hand and increased claims.

**Long-Term Care Provider Fund - 0345**

Long-Term Care Provider Services

Long-term care provider services expenditures increased \$252,921 (46.2%) due to increased cigarette tax receipts and a transfer from Public Act 94-0774 allowing an increase in the amount of funds available to pay claims in fiscal year 2006.

**Hospital Provider Fund – 0346**

Hospitals

Hospital services expenditures decreased \$812,153 (83%) due to the Department receiving monies from a short-term borrowing, hospital assessments and federal financial participation in fiscal year 2005 allowing the Department to disperse the monies to qualifying hospitals. This activity was the result of a waiver for one year only in fiscal year 2005 by the U.S. Department of Health and Human Services to implement the hospital. As a result, in fiscal year 2006 there were no hospital assessments collected, which resulted in less expenditures. The expenditures in the fund in fiscal year 2006 were the result of a transfer from Public Act 94-0774.

Medical Assistance Providers

The decrease of 100% was due to the Department receiving monies from a short-term borrowing, hospital assessments and federal financial participation in fiscal year 2005 allowing the Department to disperse the monies to qualifying hospitals. This activity was the result of a waiver for one year only in fiscal year 2005 by the U.S. Department of Health and Human Services to implement the hospital. As a result, in fiscal year 2006 there were no hospital assessments collected, which resulted in less expenditures.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2006

**Special Education Medicaid Matching Fund – 0355**

Administrative Expenses

The increase of administrative expenditures of \$22,222 (19.5%) was due to five quarters of Local Education Administration administrative claims being paid in fiscal year 2006, whereas only three quarters were paid in fiscal year 2005.

**Health and Human Services Medicaid Trust Fund – 0365**

Long Term Care Services and Medical Assistance Providers

The decrease of 100% of expenditures was due to this fund receiving transfers of hospital assessment monies from the Hospital Provider Fund per the Illinois Public Aid Code (305 ILCS 5/5A-8(7)). In fiscal year 2006 there were no assessments collected in the Hospital Provider Fund to be transferred.

**Trauma Center Fund – 0397**

Trauma Centers

The increase of trauma center expenditures of \$1,333 (14.7%) was due to an increase in fines and fees deposited in the fund by the Treasurer's Office and an increase in federal financial participation which resulted in an increase in the quarterly adjustment payments to trauma centers.

**Public Assistance Recoveries Trust Fund – 0421**

Contractual Services

The decrease of \$3,334 (23.5%) was due to no efficiency initiative payments from this fund being paid in fiscal year 2006. The decrease was partially offset by the first year of payments for facilities management, which were the result of the consolidation of facilities management services at CMS and legal fees.

Payments to Local Government for Services to Recipients

The increase of \$13,007 (173.5%) was due to increased participation in the Other Government Payor program.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2006

**Public Assistance Recoveries Trust Fund – 0421 (continued)**

Federal Share due to General Revenue Fund

The increase of \$51,968 (15.9%) was due to an increase in receipts for the Drug Rebate program. The increase in receipts were the result of increased prescription drug expenditures and an increase in rebates for diabetic aids and the Circuit Breaker program.

Refund of TPL Recoveries

An increase of \$1,027 (133%) was due to an increase in recoveries made by the Department from third-party liability collections.

**Family Care Fund – 0720**

Medical Assistance

The increase of \$14,528 (99.5%) was due to an increase in the level of service for the Children's Mental Health Initiative and the payment of medical services for the Department of Corrections in fiscal year 2006 pursuant to Executive Order 2005-3.

**Drug Rebate Fund – 0728**

Prescribed Drugs

The increase of \$395,788 (92.7%) in prescription drug expenditures was the result of increased appropriation authority, an increase in the drug rebate collections in the Public Assistance Recoveries Trust Fund, a transfer-in of monies from Public Act 94-0774 and an increase in bills on hand from fiscal year 2005 that were paid from this fund in fiscal year 2006.

**Medical Special Purposes Trust Fund – 0808**

Health Insurance Portability and Accountability Act Costs

The decrease of \$2,752 (45.1%) in expenditures was due to a significant reduction in the amount of Health Insurance Portability and Accountability Act (HIPAA) expenditures during fiscal year 2006 caused by progress on implementation of requirements.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2006

**ROAD FUND (Major Fund) – 0011**

Group Insurance

The 100% increase of group insurance expenditures was due to this being a new fund for the Department in fiscal year 2006. Per Executive Order 2005-3, the State healthcare purchasing was transferred from the Department of Central Management Services to the Department in fiscal year 2006. Included in the transfer to the Department were the expenditures from the Road Fund to the Health Insurance Reserve Fund.

**NON-MAJOR GOVERNMENTAL FUNDS**

**Good Samaritan Energy Trust Fund - 0555**

Awards and Grants

The 100% increase in expenditures was due to a large corporation donating funds in November 2005, which allowed the Department to use those donated funds for expenditures in this fund.

**Tobacco Settlement Recoveries Fund – 0733**

Prescribed Drugs

The increase of \$54,963 (14.7%) in prescription drug expenditures was the result of the implementation of the State Prescription Drug Plan and increased appropriations.

**Child Support Administration Fund – 0757**

Employee Retirement Contribution Paid by Employer

The decrease of \$619 (63.2%) was due to the State's payment of the employee's retirement contribution decreasing from 2% to 0% on January 1, 2006.

State Contribution to State Employees' Retirement System

The decrease of \$3,706 (50.6%) in State contributions to State employees' retirement system expenditures was due to the overall State employee retirement rate decrease from 16.107% to 7.792%.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2006

**Child Support Administration Fund – 0757 (continued)**

Contractual Services

The increase of \$10,608 (23.1%) was due to fiscal year 2006 being the first year for payments to the Facilities Management Revolving Fund for the consolidation of facilities management at the Department of Central Management Services (CMS), payments to CMS for the consolidation of information technology services, an increase in the statistical tabulation services expenditures, and an increase in postage expenditures. The increases were partially offset due to no payments in fiscal year 2006 for the Efficiency Initiative, a decrease in the expenditures for repair and maintenance of electronic data processing equipment and Audit and Management Services.

Equipment

The increase of \$442 (133.9%) in equipment expenditures was due to the purchase of fire resistant file cabinets to protect child support documents.

Telecommunications Services

The decrease of \$1,627 (37.8%) in telecommunications services expenditures was due to there not being any efficiency initiative payments in fiscal year 2006 from this appropriation. In addition, there was a decrease in data charges due to a decrease in the number of terminal lines and the installation of the less expensive T1 lines.

**Low Income Home Energy Assistance Block Grant Fund - 0870**

System Development / Maintenance

The increase of \$550 (164.2%) in system development and maintenance expenditures was due to contractual payments for consultants to assist with the modifications to the Emergency Assistance Fiscal Program used for the Low Income Home Energy Assistance Program.

Weatherization Program Grants

The increase of \$81,713 (78%) in weatherization program grants was due to the Department receiving additional Low Income Energy Assistance Program block grant monies as a result of monies made available to the states by the U.S. Department of Health and Human Services in March 2006.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2006

**PROPRIETARY FUNDS**

**Local Government Health Insurance Reserve Fund – 0193**

Personal Services and Group Health Insurance

The 100% increase of expenditures was due to this being a new fund for the Department in fiscal year 2006. Per Executive Order 2005-3, activities for this fund were transferred from the Department of Central Management Services to the Department, with the exception of the administration and management of the employee benefits.

**Teacher Health Insurance Security Fund – 0203**

Administrative Expenses and Health Care Coverage

The 100% increase of expenditures was due to this being a new fund for the Department in fiscal year 2006. Per Executive Order 2005-3, activities for this fund were transferred from the Department of Central Management Services to the Department, with the exception of the administration and management of the employee benefits.

**Community College Health Insurance Security Fund – 0577**

Administrative Expenses and Health Care Coverage

The 100% increase of expenditures was due to this being a new fund for the Department in fiscal year 2006. Per Executive Order 2005-3, activities for this fund were transferred from the Department of Central Management Services to the Department, with the exception of the administration and management of the employee benefits.

**Health Insurance Reserve Fund – 0907**

Health Care Coverage

The 100% increase of expenditures was due to this being a new fund for the Department in fiscal year 2006. Per Executive Order 2005-3, activities for this fund were transferred from the Department of Central Management Services to the Department, with the exception of the administration and management of the employee benefits.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2006

**FIDUCIARY FUNDS**

**Child Support Enforcement Trust Fund – 0957**

DCFS TANF Re/IV-E

The increase of \$338 (27.5%) was due to an increased effort in establishing foster care cases and a process to reopen cases that had been closed, which increased receipts for foster care cases.

Refunds – NA Clients

The increase of \$394 (32.1%) in refunds was a combination of increased collection efforts through various programs and duplicate collections received in addition to the various offsets utilized.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2006

The following is a summary of explanations for significant fluctuations in receipts received by the Department for fiscal year ended June 30, 2006 as compared to the fiscal year ended June 30, 2005. Included are explanations for variances to the General Funds (Major Fund) greater than \$1 million and 15% and explanations to the Non-Major Governmental Funds, Proprietary Funds, and Fiduciary Funds greater than \$300 thousand and 15%. Dollar amounts are in thousands unless otherwise stated. The Department's receipts are presented in the "Comparative Schedule of Cash Receipts and Transfers."

**GENERAL FUNDS**

**General Revenue Fund - 0001**

Federal Reimbursable Portion Due from the Public Assistance Recoveries Trust Fund

The increase of \$51,502 (15.7%) was the result of increased collections and changes in the Public Assistance Recoveries Trust Fund. The increase in collections was due to a full year of collections on diabetic aids and the Circuit Breaker program as compared to a partial year in fiscal year 2005 and an increase in expenditures for prescribed drugs which resulted in increased collections of rebates. Improvements were made in the process for transferring monies from the Public Assistance Recoveries Trust Fund, which increased the frequency of transfers to the General Revenue Fund. There was also a reduction in the amount of third-party liability monies held in the Public Assistance Recoveries Trust Fund increasing the transfers to the General Revenue Fund.

Local Illinois Governmental Units

The decrease of \$83,477 (19.3%) was a result of decreased spending in the County Hospital Services Fund due to federal regulations decreasing the intergovernmental transfers from Cook County to the General Revenue Fund.

Transfers from Other Funds

The decrease of \$1,414,751 (94.2%) was a result of short-term borrowing occurring in fiscal year 2005 for hospital assessments in the Hospital Provider Fund. In fiscal year 2005, funds were transferred from the Hospital Provider Fund to the General Revenue Fund for the repayment of the short-term borrowing. No such activity occurred in fiscal year 2006.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2006

**University of Illinois Hospital Services Fund – 0136**

Federal Government

The increase of \$32,259 (29.7%) was a result of increased appropriation authority in fiscal year 2006 which allowed for an increase in spending to handle the carryover of fiscal year 2005 bills on hand and increased claims. This resulted in an increase in the federal financial participation collected.

Other Illinois State Agencies

The increase of \$29,456 (45.4%) was a result of increased appropriation authority in fiscal year 2006 which allowed for an increase in spending to handle the carryover of fiscal year 2005 bills on hand and increased claims. This resulted in an increase in intergovernmental transfers from the University of Illinois to this fund.

**Long-Term Care Provider Fund - 0345**

Federal Government

The increase of \$87,222 (34.3%) was a result of increased spending in the fund, which was the result of an increase in other taxes and a transfer due to Public Act 94-0774, increasing the federal financial participation monies collected.

Transfers from Other Funds

The increase of \$83,339 (595,278.6%) was a result of Public Act 94-0774 transferring monies into this fund in fiscal year 2006. There was no such transfer in fiscal year 2005.

**Hospital Provider Fund – 0346**

Federal Government

The decrease of \$428,880 (84.5%) was a result of this fund receiving short-term borrowing, assessments and federal financial participation monies in fiscal year 2005 to disburse to qualifying hospitals. This activity was the result of a waiver in fiscal year 2005 by the U.S. Department of Health and Human Services to implement the assessment. The waiver was for one year only. As a result there were no assessments in the fund in fiscal year 2006, which resulted in less expenditures that qualified for federal financial participation.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2006

**Hospital Provider Fund – 0346 (continued)**

Provider Taxes

The 100% decrease of revenues in fiscal year 2006 was a result of the Department not charging a hospital assessment fee in fiscal year 2006. As a result, there were no hospital assessments collected in fiscal year 2006.

Transfers from Other Funds

The decrease of \$895,183 (91.5%) was a result of this fund receiving short-term borrowing, assessments and federal financial participation monies in fiscal year 2005 to disburse to qualifying hospitals. This activity was the result of a waiver in fiscal year 2005 by the U.S. Department of Health and Human Services to implement the assessment. The waiver was for one year only. As a result, there were less transfers into the fund in fiscal year 2006.

**Health and Human Services Medicaid Trust Fund – 0365**

Federal Government and Transfers from Other Funds

The 100% decrease of revenues in fiscal year 2006 was a result of the Health and Human Services Trust Fund being funded by the activity from the hospital assessment program in the Hospital Provider Fund in fiscal year 2005. The assessment did not occur in fiscal year 2006, which resulted in decreased activity in this fund.

**Medicaid Provider Relief Fund – 0367**

Federal Government

The 100% decrease of revenues in fiscal year 2006 was pursuant to the Finance Act (30 ILCS 105/6z-62). This fund was created for two years, ending on June 30, 2005 and all activity in the fund for fiscal year 2005 was a carryover from fiscal year 2004.

**Trauma Center Fund – 0397**

Federal Government

The increase of \$1,060 (24.3%) was a result of an increase in the fines and fees deposited in the fund by the Treasurer's Office in fiscal year 2006 which allowed an increase in expenditures. An increase in expenditures resulted in increased federal financial participation collections.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2006

**Public Assistance Recoveries Trust Fund – 0421**

Federal Government

The increase of \$28,653 (288.7%) was a result of an increase in the federal financial participation related to the other government payor program and the repayment of an interagency loan to the Department of Human Services in fiscal year 2005 for the Community Mental Health Medicaid Trust Fund. The loan repayment was from the federal financial participation drawn for expenditures made in the Community Mental Health Medicaid Trust Fund. The federal financial participation was deposited directly into the Public Assistance Recoveries Trust Fund.

Third Party Collections – Pharmacy Assistance

The increase of \$1,009 (141.9%) was a result of the Department starting the Circuit Breaker Program late in fiscal year 2005. The Department's receipts for this program increased in fiscal year 2006 due a full year of billings and collections for the program.

Private Organizations or Individuals

The increase of \$99,054 (15.2%) was a result of an increase in drug rebate collections resulting from an increase in expenditures on prescription drugs. There was also an increase in rebates on diabetic aids and an increase on rebates for the Circuit Breaker Program due to a full year of rebates in fiscal year 2006 as compared to a partial year in fiscal year 2005.

**Family Care Fund - 0720**

Reimbursements

The increase of \$14,523 (269.5%) was a result of an increase in the Department's funding of the Children's Mental Health Initiative Program due to an increase in the level of services provided in fiscal year 2006.

**Drug Rebate Fund – 0728**

Federal Government

The increase of \$186,994 (88.6%) was a result of an increase in the appropriation authority in fiscal year 2006, an increase in monies transferred from the Public Assistance Recoveries Trust Fund, and a transfer in due to Public Act 94-0774 resulted in increased expenditures, which resulted in increased federal financial participation collected.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2006

**Drug Rebate Fund – 0728 (continued)**

Transfer from Other Funds

The increase of \$141,605 (50.1%) was a result of an increase in transfers from the Public Assistance Recoveries Trust Fund due to increased drug rebate collections and a transfer in due to Public Act 94-0774.

**Medical Special Purpose Trust Fund – 0808**

Federal Government

The decrease of \$5,031 (73.1%) was a result of a significant reduction in the amount of Health Insurance Portability and Accountability Act (HIPAA) expenditures during fiscal year 2006, which resulted in less federal financial participation collected. The reduction in expenditures was the result of progress in implementation of the HIPAA requirements.

**NON-MAJOR GOVERNMENTAL FUNDS**

**Community Developmental Disability Services Medicaid Trust Fund – 0142**

Federal Government

The 100% increase of revenues in fiscal year 2006 was a result of this being a new fund in fiscal year 2006. The Department draws federal financial participation for this fund based on the Department of Human Services expenditures for this program.

**Good Samaritan Energy Trust Fund – 0555**

Private Organizations or Individuals

The increase of \$1,971 (6,358.1%) was a result of there being a large corporate donation of \$2 million in November 2005.

**Tobacco Settlement Recovery Fund – 0733**

Federal Government

The decrease of \$72,100 (41%) was a result of a decrease in expenditures in fiscal year 2006 combined with an increase in the amount of fiscal year 2006 federal financial participation collected after June 30<sup>th</sup>, resulting in a decrease in federal financial participation collected.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2006

**Child Support Administration Fund – 0757**

Transfers from Other Funds

The decrease of \$6,500 (17.8%) was a result of the Department of Central Management Services taking over the management and payment of lease and lease related services as a part of a consolidation effort in fiscal year 2005. Certain issues related to the consolidation were not resolved until the end of fiscal year 2005, which resulted in not making a claim for federal financial participation (FFP) on these expenditures until fiscal year 2006. Due to less FFP in fiscal year 2005, additional transfers were necessary to meet cash flow needs in the fund during fiscal year 2005.

**Low Income Home Energy Assistance Block Grant Fund – 0870**

Federal Government

The increase of \$44,215 (43.7%) was a result of the Department receiving additional Low Income Energy Assistance Program (LIHEAP) block grant monies due to monies being made available to the states by the U.S. Department of Health and Human Services in March 2006.

**PROPRIETARY FUNDS**

**Health Insurance Reserve Fund – 0907**

Fund Transfers

The 100% increase of fund transfers was due to this being a new fund to the Department in fiscal year 2006. Per Executive Order 2005-3, activities for this fund were transferred from the Department of Central Management Services to the Department, with the exception of the administration and management of the employee benefits.

**FIDUCIARY FUNDS**

**Child Support Enforcement Trust Fund – 0957**

Repayment to State pursuant to law

The increase of \$733 (22.9%) was a result of improvements being made in the child support collection efforts for liens, passport, federal data match and credit bureau collections.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Year Ended June 30, 2006

The following is a summary of and explanations for significant lapse period expenditures incurred by the Department for fiscal year 2006. Included are lapse period expenditures for the General Funds (Major Fund) that are greater than \$1 million and 15%, and lapse period expenditures for Non-Major Governmental Funds, Proprietary Funds and Fiduciary Funds that are greater than \$300 thousand and 15% of the expenditure level noted in the following details. Dollar amounts are in thousands unless otherwise stated. The Department's overall lapse period spending for fiscal year 2006 is presented in the "Schedule of Appropriations, Expenditures and Lapsed Balances" of this report.

**GENERAL FUNDS (Major Fund)**

**Trauma Center Fund – 0397**

The adjustment amounts for the fourth quarter trauma center payments of \$2,146 were calculated and paid during the lapse period.

**Public Assistance Recoveries Trust Fund – 0421**

Contractual Services

The Department received and paid a total of \$2,169 for the following services incurred prior to June 30 during the lapse period: \$1,078 for statistical and tabulations services and \$119 for facilities management to the Department of Central Management Services, \$756 for audit and consulting services, and \$82 for computer software.

**NON-MAJOR GOVERNMENTAL FUNDS**

**Good Samaritan Energy Trust Fund – 0555**

The Department received and paid an invoice for \$500 to the Community and Economic Development Association for assistance to help low income consumers pay their gas and electric bills.

**Tobacco Settlement Recovery Fund – 0733**

The Department paid the following amounts during the lapse period for medical services incurred prior to June 30: \$78,370 for prescription drugs, \$19,970 for the States Prescription Drug Plan, and \$1,405 in qualified medical payments for recipients.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Year Ended June 30, 2006

**Child Support Administrative Fund – 0757**

Contractual Services

The Department paid a total of \$8,462 for the following invoices during the lapse period for services received prior to June 30: \$4,010 to counties for the maintenance of child support records, summons and processing fees, language translation services and orders for support, \$3,339 to the Department of Central Management Services (CMS) for statistical, tabulation and information technology services, and \$664 to the Facilities Management Revolving Fund at CMS.

Equipment

The Department received and paid an invoice totaling \$484 for fire resistant file cabinets ordered late in the fiscal year.

Telecommunications Services

The Department paid invoices totaling \$540 for the rental or lease of telephone service and equipment and data charges to the Department of Central Management Services during the lapse period for services incurred during the fiscal year. Some invoices were received during the lapse period, and some of the invoices were delayed due to the Department's review process.

**Low Income Home Energy Assistance Block Grant Fund – 0870**

Weatherization Program Grants

The Department received and paid invoices to various grantees totaling \$49,213 for Low Income Home Energy Assistance Program services incurred late in the fiscal year.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2006

In fiscal year 2006, per the Governor's Executive Order Number 2005-3, there was a transfer of certain healthcare procurement and administrative functions primarily from the Department of Central Management Services (CMS) to the Department of Healthcare and Family Services. The funds included in this transfer were three enterprise, non-major proprietary funds: the Local Government Health Insurance Reserve Fund, the Teacher Health Insurance Security Fund, and the Community College Health Insurance Security Fund; an internal service, non-major proprietary fund: the Health Insurance Reserve Fund; and a special revenue, non-major governmental fund: the Illinois Prescription Drug Discount Program Fund.

Threshold levels for analysis and explanation are changes of at least \$1 million and 15% for general funds (major fund), and changes of at least \$300 thousand and 15% for non-major governmental funds, non-major proprietary funds and fiduciary funds.

## **GENERAL FUNDS**

### **Assets**

Unexpended Appropriations – The \$64.3 million increase was in the General Revenue Fund, which was the result of increased appropriations and more Federal Financial Participation (FFP) money received during fiscal year 2006 lapse allowing increased lapse period expenditures.

Due from other government – federal - The \$217.1 million decrease was attributable to the following: a decrease in the General Revenue Fund due to decreased medical accrual liability, increased appropriation and more FFP received during fiscal year 2006 lapse; a decrease in the Drug Rebate Fund due to less assets in the fund per the medical accrual caused by the implementation of the Medicare Part D Program; and miscellaneous variances in other funds in this account.

Taxes receivable, net – The decrease of \$1.4 million was attributable to decreases in both the General Revenue Fund and the Long-Term Care Provider Fund due to less receivables at June 30.

Other receivables, net – The decrease of \$40.7 million was due to a decrease in the General Revenue Fund where significant collections of Federally Qualified Health Care facility receivables occurred in fiscal year 2006 and a decrease in the Public Assistance Recoveries Trust Fund due to billing of the state supplemental program for drug rebate in June 2005 rather than July 2005, a decrease in Federal billing for May, and no June Circuit Breaker billing.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2006

**Liabilities**

Unavailable revenue - The decrease of \$122.4 million was due to: a decrease in the General Revenue Fund due to decreased medical accrual liability FFP expected to be received after the lapse period; a decrease in the Drug Rebate Fund due to less assets in the fund per the medical accrual caused by the implementation of the Medicare Part D Program; offset by an increase in the County Hospital Services Fund where more medical accrual and Intergovernmental Transfer (IGT) was paid after the lapse period in fiscal year 2006 compared to fiscal year 2005; and miscellaneous variances in other funds in this account.

**Fund Balance**

Reserved for Encumbrances – The decrease of \$2.9 million is from the General Revenue Fund due to prior year misclassifications of liabilities in the fund.

**NON-MAJOR GOVERNMENTAL FUNDS**

**Assets**

Unexpended appropriations – The increase of \$84.8 million is due to: an increase in the Tobacco Settlement Recovery Fund caused by implementation of the Prescription Drug Plan; offset by a decrease of lapse period expenditures in the Supplemental Low-Income Energy Assistance Fund due to some delays in the prior year processing of modifications to the fiscal year 2005 subrecipient grants and cash draws for these modifications not made until the fiscal year 2005 lapse period, which did not reoccur in fiscal year 2006.

Due from other governments - federal - The increase of \$146.7 million was due to: an increase in the Tobacco Settlement Recovery Fund caused by implementation of the Prescription Drug Plan, a higher volume of warrants processed during the last four days of June 2006 compared to June 2005, and an increase in the amount of medical accrual allocated to this fund as a result of the increase in the turnover of federal receipts; an increase in the Low Income Home Energy Assistance Block Grant Fund due to the Department receiving additional LIHEAP block grant monies from the U.S. Department of Health and Human Services; and miscellaneous variances in other funds in this account.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2006

**Liabilities**

Accounts payable and accrued liabilities - The increase of \$125.0 million was due to: an increase in the Tobacco Settlement Recovery Fund caused by implementation of the Prescription Drug Plan and an increased federal receivable, as a result of a higher volume of warrants processed during the last four days of June 2006 compared to June 2005 allowed for an increase in the medical accrual allocated to this fund; an increase in the Low Income Home Energy Assistance Block Grant Fund where the Department received additional LIHEAP block grant monies from the U.S. Department of Health and Human Services; offset by a decrease in the Supplemental Low-Income Energy Assistance Fund due to some delays in the prior year processing of modifications to the fiscal year 2005 subrecipient grants; and miscellaneous variances in other funds in this account.

Due to other governments – local - The increase of \$4.2 million was due to: an increase in the Low Income Home Energy Assistance Block Grant Fund due to the Department receiving additional LIHEAP block grant monies from the U.S. Department of Health and Human Services; and miscellaneous variances in other funds in this account.

Due to other Department funds – An increase of \$500 thousand in the Child Support Administrative Fund is from a due to the Health Insurance Reserve Fund, which is a Department fund in fiscal year 2006 whereas it was another state fund in fiscal year 2005, as a result of the transfer of healthcare procurement and administrative functions from the Department of Central Management Services.

**Fund Balance**

Unreserved Fund Balance – The increase of \$106.1 million was due to: an increase in the Tobacco Settlement Recovery Fund caused by implementation of the Prescription Drug Plan and the federal receivable as a result of increased medical accrual spending; an increase in the Child Support Administrative Fund from an increase in Federal receipts along with an increase in the amount due from the federal government; and miscellaneous variances in other funds in this account.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF SIGNIFICANT BALANCE SHEET ACCOUNTS**  
For the Year Ended June 30, 2006

**NON-MAJOR PROPRIETARY FUNDS**

**Enterprise Funds**

These funds, which included the Local Government Health Insurance Reserve Fund, the Teacher Health Insurance Security Fund, and the Community College Health Insurance Security Fund, were transferred to the Department in fiscal year 2006 from the Department of Central Management Services pursuant to Executive Order Number 2005-3.

**Internal Service Fund**

This includes the Health Insurance Reserve Fund which was transferred to the Department in fiscal year 2006 from the Department of Central Management Services pursuant to Executive Order Number 2005-3.

**FIDUCIARY FUNDS**

**Assets**

Cash and Cash Equivalents – The increase of \$400 thousand is related to investment income and child support receipts in both the Child Support Enforcement Trust Fund and the Child Support Enforcement Trust-State Disbursement Unit Fund.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**ANALYSIS OF ACCOUNTS RECEIVABLE**  
For the Years Ended June 30, 2006 and 2005  
(amounts in thousands)

<b>Balance Sheet at June 30th of</b>	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Accounts Receivable (Net)</b>		
General Funds	\$ 96,597	\$ 138,711
Special Revenue Funds	10,484	10,644
Enterprise Funds	14,114	-
Internal Service Funds	11,318	-
Agency Funds	<u>157,731</u>	<u>142,614</u>
<b>Total Accounts Receivable (Net)</b>	<u>\$ 290,244</u>	<u>\$ 291,969</u>

<b>Accounts Receivable - All Funds</b>		
At Gross	3,109,937	2,811,272
Less: Allowance for Uncollectible Accounts	<u>(2,819,693)</u>	<u>(2,519,303)</u>
<b>Total Accounts Receivable (Net)</b>	<u>290,244</u>	<u>291,969</u>

**Aging of Gross Receivables**

	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Receivables Not Past Due</b>	\$ 47,381	\$ 112,695
<b>Past Due Receivables:</b>		
1 - 30 Days	443,983	373,269
31 - 90 Days	10,804	8,458
91 - 180 Days	119,464	10,827
181 Days - 1 Year	45,259	33,869
Over 1 Year	<u>2,443,046</u>	<u>2,272,154</u>
<b>Total</b>	<u>\$ 3,109,937</u>	<u>\$ 2,811,272</u>

Receivable areas within the Department adhere to the guidelines set forth by the Illinois State Collections Act of 1986 along with policy and legislation relevant to their program. Included in those guidelines are: internal offsets against future claims for providers with outstanding debt, Office of the Comptroller's Offset System, cyclical billings, letters and telephone contracts, private collection agencies, liens and judgments, and notify credit reporting agencies. In addition, the Department has implemented other methods of collection such as: income withholding, unemployment insurance benefit intercept, federal income tax refund offsets, professional license revocations, judicial remedies, driver's license revocations, new hire reporting, financial institution data match, agency collectors, Department of Revenue initiative, and referral to the Office of the Attorney General. Fiscal year 2006 is the first year for enterprise and internal service funds for the Department.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**INDIRECT COST REIMBURSEMENTS**  
For the Year Ended June 30, 2006  
(Unaudited)

The Department uses a cost allocation methodology to allocate indirect costs associated with the federal programs it administers in accordance with the Federally Approved Public Assistance Cost Allocation Plan. For fiscal year 2006 the Department's indirect cost pool, which is comprised of personal services and overhead expenditures, aggregated \$47.973 million. For fiscal year 2005 the Department's indirect cost pool, comprised of personal services and overhead expenditures, aggregated \$46.927 million.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SCHEDULE OF ADJUDICATION PATTERN, PAYMENT PATTERNS AND CLAIMS PAID**  
For the Years Ending June 30, 2006 and 2005  
(Unaudited)

This only reflects schedules processed through MMIS	Adjudication processing time elapsing in calendar days		Time elapsing in calendar days, to pay a claim		Total dollar amount of claims paid	
	Average for FY 2005	Average for FY 2006	Average for FY 2005	Average for FY 2006	FY 2005	FY 2006
<b>General Revenue Fund</b>						
Drugs	33.4	58.7	61.4	80.0	\$ 762,243,812	\$ 973,673,771
Hospitals						
Inpatients	29.8	45.5	46.8	58.7	1,260,992,915	1,813,897,964
Ambulatory	32.7	56.6	52.1	71.3	248,718,206	401,673,591
Long-term care	21.2	40.8	45.7	62.9	752,738,074	774,197,728
L-T Care Developmentally Disabled	25.3	32.0	51.4	52.6	325,570,195	341,745,339
Non-institutional provider services	43.1	59.5	57.7	71.9	385,380,945	524,634,193
Physician	33.4	65.2	51.1	78.7	444,360,622	674,898,948
<b>Overall averages/totals</b>	<b>31.3</b>	<b>51.2</b>	<b>52.3</b>	<b>68.0</b>	<b>\$ 4,180,004,769</b>	<b>\$ 5,504,721,534</b>
<b>Assessment Trust Funds</b>						
Drug Rebate	37.5	60.7	39.5	65.0	\$ 272,469,655	\$ 584,400,305
Long-term care	27.8	65.0	30.9	67.8	412,793,411	579,289,498
L-T Care Developmentally Disabled	20.3	27.5	24.2	30.8	35,257,186	39,426,286
<b>Overall averages/totals</b>	<b>28.5</b>	<b>51.1</b>	<b>31.5</b>	<b>54.5</b>	<b>\$ 720,520,252</b>	<b>\$ 1,203,116,089</b>

This analysis presents average Medicaid adjudication days, which are defined as the time elapsing in calendar days from the receipt date to the date the claims are vouchered. This schedule also presents average payment days, which are defined as the time elapsing in calendar days from the receipt date to the date a warrant is mailed by the State Comptroller.

This schedule does not include HMO or Quarterly CHAP expenditures, as these adjudication and payment cycles are not tracked.

The Long-term care - developmentally disabled general revenue fund and assessment trust fund are Department of Human Services (DHS) appropriations, but the Department of Healthcare and Family Services manages payment of claims from these funds on behalf of DHS.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2006

The Illinois Department of Healthcare and Family Services (Department) is committed to empowering Illinois residents to lead healthier and more independent lives by providing adequate access to health care coverage at a reasonable cost, establishing and enforcing child support obligations, and improving energy self-sufficiency through energy conservation and bill payment assistance. There are three primary program areas within the Department. They are Child Support Enforcement (CSE), Energy Assistance (EA) and Medical Programs (MP). The Office of Inspector General (OIG) also resides within the agency but functions as a separate, independent entity and reports directly to the Executive Inspector General.

On July 1, 2005, health care purchasing was consolidated into the Department from the Department of Central Management Services (CMS). The Office of Healthcare Purchasing is responsible for all non-Medicaid procurement of health care services. This office is in the process of consolidating health services previously procured through CMS and the Departments of Corrections, Human Services and Veterans Affairs.

Appropriations in all Agency funds for fiscal year 2006 was \$13.1 billion, excluding Group Insurance Cost. CSE is made-up of 1.57 percent of this total, EA is 2.59 percent and MP is 94.7 percent. The total increase from fiscal year 2005 to fiscal year 2006 was \$1.2 billion. The Group Insurance appropriation was newly transferred to the Department in 2006, so that amount has also been excluded from the total increase. The Department earned approximately \$6.1 billion in federal funds in fiscal year 2006, which includes expenditures from other agencies.

### **Child Support Enforcement**

The Division of Child Support Enforcement serves more than 600,000 families composed of both Temporary Assistance to Needy Families (TANF), mandatory Medical Assistance No Grant (MANG) clients and any other Illinois resident requesting child support enforcement services (Non-Assistance (N/A) clients). The Division helps to establish paternity, locate non-custodial parents, establish child support through judicial or administrative processes, and enforce child support orders through income withholding orders, unemployment benefit intercepts, federal and state tax intercepts, real and personal property liens, denial of passports, and other lump sum intercepts. It also assists other states to establish parentage and establish and enforce child support on behalf of their residents. Together, these TANF, MANG and non- Assistance cases receiving these services are known as Title IV-D cases. The Division also processes non IV-D cases through the State Disbursement Unit (SDU).

Total program expenditures reflect administrative expenses from the Child Support Administrative Fund, the General Revenue Fund and allocation of the Department indirect administrative expenditures. Not included are the dollars expended as payments to custodial parents, refunds to non-custodial parents who have overpaid support and expenditures from the Illinois Department of Revenue and the Illinois Office of the Attorney General.

For fiscal year 2006, CSE collected and disbursed over \$1.14 billion in total child support, exceeding fiscal year 2005 total collections by more than \$86 million. Total collections include both IV-D and non IV-D collections made to the SDU.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2006

**Energy Assistance**

The Department's Office of Energy Assistance administers the Low Income Home Energy Assistance Program (LIHEAP) and the Illinois Home Weatherization Assistance Program (IHWAP). In fiscal year 2006, over 369,000 households received assistance grants through LIHEAP and over 7,000 homes were weatherized through IHWAP.

Each year through the LIHEAP program, low-income households in Illinois receive one-time grants that allow them to reestablish and/or maintain their home energy service. The purpose of LIHEAP is to assist low-income households that pay a high proportion of household income for home energy with meeting their immediate home energy needs.

The IHWAP program helps low-income families lower their energy costs by providing a range of weatherization services, including insulating attics and walls and ensuring that heating systems are safe and in good working order.

**Medical Programs**

In fiscal year 2006, the average monthly count of enrolled individuals for which the Medical Program provided medical coverage was over 2.1 million, including pregnant women, infants, children, teenagers, seniors and people with disabilities, people struggling with one-time catastrophic medical bills, and children and adults with chronic health problems. Licensed practitioners, hospital and nursing facilities, and other noninstitutional providers enrolled in the Department's medical programs provide these medical services. The primary goal of this program is to improve the health of medical program participants by providing access to quality health care.

About two-thirds of the medical program budget is expended for health care to seniors and persons with disabilities. The total number of persons with disabilities on Medicaid was 294,221 in fiscal year 2006. Long-term care caseloads have remained relatively stable over the last few years. The average monthly resident count age 65 and over in fiscal year 2006 was approximately 44,550 individuals.

Enrollment in the KidCare and FamilyCare health insurance programs continued to grow in fiscal year 2006. KidCare offers health care coverage to children and pregnant women who meet eligibility criteria and also helps to pay premiums of employer-sponsored or private health plans. The Department now covers over one million children through all of its health benefits programs. Legislation was passed in November 2005 for the All Kids program. All Kids provides comprehensive, affordable health care coverage for all uninsured children in Illinois, regardless of income. Pre-registration for the program began in December 2005 and enrollment began on July 1, 2006.

In addition, the Department again expanded coverage to parents of KidCare children in 2006 through a federal waiver program called FamilyCare. As of June 30, 2006, 498,195 parents were covered through the Department's medical programs. Of those, 117,896 have gained coverage through the FamilyCare program.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2006

In June 2005, the “No Senior or Person with Disability left Behind” law was passed, which created the Illinois Cares RX program, the nation’s most comprehensive response to fill in the gaps created by the federal Medicare Part D prescription drug program. The Illinois Cares RX program took effect January 1, 2006, in conjunction with the start of the new Medicare prescription coverage.

Illinois Cares RX covers those who were previously enrolled in either the SeniorCare drug program or the Circuit Breaker pharmaceutical assistance program. In addition, those who are not eligible for Medicare will have their current SeniorCare or Circuit Breaker pharmaceutical benefits maintained in the Illinois Cares RX program. The Illinois Cares RX program is administered by the Department and the Illinois Department on Aging.

**Office of Inspector General**

The mission of the Office of Inspector General (OIG) is to prevent, detect, and eliminate fraud, waste, abuse, misconduct, and mismanagement in the programs administered by the Department. The OIG also conducts investigations for programs administered by the Department of Human Services. OIG combats fraud and abuse by: implementing innovative Medicaid fraud prevention and detection techniques, preventing ineligible applicants from receiving benefits, conducting client eligibility investigations, performing client Medicaid fraud investigations, restricting clients who abuse their benefits to one physician and/or pharmacy, conducting post-payment audits and Quality of Care reviews of Medicaid providers and identifying assets which were not disclosed by applicants for long term care.

**Planning Process**

In fiscal year 2004, the Department conducted its strategic planning effort for the period covering fiscal year 2004 through fiscal year 2007 in conjunction with the Governor’s Office. For fiscal year 2006, the Department continued to focus on key initiatives that best reflect the Department’s mission and were feasible, based on available resources. Department goals were developed in fiscal year 2004 to support these key initiatives and the agency continues to strive toward these goals.

As part of the Governor’s Performance Management Initiative, the Department also developed performance measures and targets for each goal. These performance metrics were finalized and implemented following a similar process as the strategic plan. Performance measures and targets were updated for fiscal year 2006.

The Office of Planning monitors the progress of projects related to the accomplishments of the strategic plan. As part of this monitoring, responsible parties, targets, and milestones were identified. The monitoring process allows the Department to collect hard data on how well the Department’s programs are performing and what effect the implementation of the strategic plan has on Department outcomes. The Department also reports progress toward our performance metrics to the Governor’s Office on a quarterly basis.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**DEPARTMENT FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2006

**Auditors' Assessment**

The Department has established both formal long-term goals along with short-term objectives to achieve those goals. The goals and objectives are consistent with the Department's mission and mandated activities, and the Department regularly monitors its progress. The Department has implemented and maintained adequate planning and monitoring programs to fulfill its statutorily mandated functions.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**AVERAGE NUMBER OF EMPLOYEES**  
For the Years Ended June 30, 2006 and 2005

Below is a summary of the average number of personnel employed by the Department, by fund, for the fiscal years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
General Revenue Fund		
Program		
Administration	266	325
Office of Inspector General	182	195
Attorney General	21	22
Medical	458	461
Managed Care	22	23
Kid Care - Look a Like	69	44
Kid Care - Rebate	33	39
Medi Rev*	6	9
Total General Revenue Fund	<u>1,057</u>	<u>1,118</u>
Other Funds		
Care Provider for Persons with Developmental Disability	1	1
Long-Term Care Provider	11	12
Medical Special Purpose Trust	10	9
Child Support Administration	960	983
Public Assistance Recoveries Trust	140	148
Energy Assistance	27	25
Group Insurance	17	-
Total Other Funds	<u>1,166</u>	<u>1,178</u>
Grand Total - All Funds	<u><u>2,223</u></u>	<u><u>2,296</u></u>

\* Medical electronic interchange recipient eligibility verification

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**FISCAL YEAR STATISTICS**  
**MEDICAID ENROLLMENT**  
For the Years Ended June 30, 2006 and 2005  
(Unaudited)

		<u>2006</u>	<u>2005</u>
Average Number of Enrollees	(1)	2,298,176	2,116,022
Annual Payments	(2)	\$8,285,866,300	\$6,442,055,500
Payment per Enrollee	(3)	\$3,605.41	\$3,044.42

NOTES:

- (1) Fiscal year 2006 enrollment includes SeniorCare.
- (2) Fiscal year 2006 Appropriation Spending.
- (3) For illustration purposes only, payment per enrollee is calculated by dividing annual payments by average number of enrollees. This figure does not represent actual cost per user.

SOURCE: Division of Finance

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**EMERGENCY PURCHASES**  
For the Year Ended June 30, 2006

The Department reported the following emergency purchases to the Office of the Auditor General during fiscal year 2006.

<u>Vendor</u>	<u>Description</u>	<u>Cost</u>
Fairbanks LLC	Emergency Extension of original emergency contract. This emergency contract extension was necessary to facilitate the Employee Group Health procurement as mandated by Executive Order 2005-03 (EO3). The extension was made on an emergency basis because it would be a threat to public health and the well being of state employees, if the network of providers (as required by union contract) was not in place by April 1, 2006. As the Department progressed through the procurement integration process it was determined that to capitalize on additional economies of scale and greater efficiencies presented by EO3, Fairbanks LLC should be retained in order to maximize these opportunities. In addition to providing consulting expertise for the renegotiation of the hospital network, Fairbanks LLC was engaged in the re-negotiations for the HMO network which had to be maintained in order to prevent and minimize serious disruption of State services, in this instance, the provision of an HMO network for enrollees of the State Employees Group Insurance Program, the Local Government Health Program, the Teachers' Retirement Insurance Program, and the College Insurance Program. Additionally, the need to further State interests was immediate. The Department is currently engaged in a competitive solicitation for these consulting services in order to reduce the significant risk of causing serious disadvantage to the State. There is the potential to lose millions of dollars through failure to renegotiate the contracts with the managed care provider network. Contract Duration - March 1, 2006 through June 30, 2006.	\$187,775
NDC Health	The emergency contract extension was necessary to avoid an interruption of critical services during the estimated four-month completion of the competitive procurement process to secure a vendor to provide these services. The contract extension ensures eligible clients will be able to rely on the Electronic Claims Processing (ECP) system to process their prescriptions and avoid situations where a client's health may be compromised due to an inability to obtain needed drugs in an expedient manner. Any interruption in these services could create life-safety issues for the Department's clients. Contract Duration - January 1, 2006 through April 30, 2006.	\$466,331

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**EMERGENCY PURCHASES**  
For the Year Ended June 30, 2006

<u>Vendor</u>	<u>Description</u>	<u>Cost</u>
Emdeon Corporation	The emergency contract extension was necessary to avoid an interruption of critical services during the estimated four-month completion of the competitive procurement process to secure a vendor to provide these services. The contract extension ensures eligible clients will be able to rely on the ECP system to process their prescriptions and avoid situations where a client's health may be compromised due to an inability to obtain needed drugs in an expedient manner. Any interruption in these services could create life-safety issues for the Department's clients. Contract Duration - January 1, 2006 through April 30, 2006.	\$32,682
Schulman, Ronca & Bucuvalas, Inc	This emergency purchase was in accordance with Section 20-30 (a) of the Illinois Procurement Code (30 ILCS 500/20-30(a)) and the Standard Procurement Rules (44 Ill. Admin. Code 1.2030(b)(1) (G)): the need for items to protect or further State interests was immediate and use of other competitive source selection procedures under the Code and this Part could not be accomplished without significant risk of causing serious disadvantage to the State. The emergency contract was necessary to immediately conduct a survey to provide population estimates of insurance status of Illinois children. The survey analyzed the opportunities for expanding access to health insurance for currently uninsured children. The Department required this information within two weeks to assure that these issues were considered in a fully informed manner enabling policymakers to knowledgeably address the needs of Illinois children against the potential costs of expanding healthcare coverage. Contract Duration – September 28, 2005 through October 28, 2005.	\$49,851
Integrus Inc. (dba Bull Services)	Notice of contract award for continued operation, maintenance and support of the Department's Medical Data Warehouse system is announced pending federal Centers for Medicare and Medicaid Services' approval of the contract. Contract Duration – December 1, 2005 through December 31, 2005. – Expired	\$949,582

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**EMERGENCY PURCHASES**  
For the Year Ended June 30, 2006

<u>Vendor</u>	<u>Description</u>	<u>Cost</u>
Integris Inc. (dba Bull Services)	The Department issues this Notice of an Emergency one-month Contract Extension with Integris Inc. (dba Bull Services) effective December 1, 2005 to provide for the continued support and functionality of the Department's Medical Data Warehouse System. The emergency contract extension is necessary to avoid an interruption of critical services during the estimated one-month completion of the competitive procurement process to secure a vendor to provide these services. Contract Duration - October 1, 2005 through November 30, 2005. – Expired This emergency contract was extended for a second emergency term as identified above.	See above
First Transit Inc.	Because the Department was not satisfied with the results of the NEMT Broker RFP, the Department is extending the current contract with First Transit pursuant to the Standard Procurement Rules Section 1.2030(b)(2) and 1.2030(b)(3). An emergency extension to the contract to extend the contract by 6 months is necessary to maintain the NETSPAP while a new contract is procured – RFP developed, issued, reviewed and evaluated, awarded and sufficient time for implementation. The only alternative to extending the current contract with First Transit would be to turn off prior approval claim editing in the Department's claims processing system. This would result in the Department relying solely on back-end audits to enforce compliance with Department policy. Fraud and abuse would increase resulting in an increase in payments to providers and increased costs for the Department. Under the emergency extension, First Transit will also be paid at the rate under the current contract on a per participant/per month basis for each Medical Assistance participant that is eligible for transportation services, excluding residents of long term care facilities and certain other small programs. The pm/pm rate is \$0.1799. Contract term – July 1, 2006 through December 31, 2006.	* <u>\$2,058,394</u>
Total		<u>\$3,744,615</u>

\* The reported amount is an estimate.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**KATRINA RELIEF**  
For the Year Ended June 30, 2006  
(Unaudited)

Persons who came to Illinois from designated Hurricane Katrina disaster areas could temporarily enroll for medical benefits in Illinois if they met Illinois' eligibility criteria, regardless of whether they were enrolled in their home state. Disaster evacuees were considered residents of Illinois regardless of whether they planned to remain in Illinois and verification requirements were relaxed with respect to these disaster evacuees. The Department of Healthcare and Family Services (Department) also honored the eligibility periods printed on Illinois MediPlan or KidCare cards and providers could verify Illinois eligibility through any existing process. In fiscal year 2006, the Department has provided medical services to 2,324 Katrina evacuees which total \$2.64 million.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2006  
(Unaudited)

**Child Support Enforcement Program**

**Description of the Program**

The Division of Child Support Enforcement (DCSE) serves more than 600,000 families composed of Temporary Assistance to Needy Families (TANF), mandatory Medical Assistance No Grant (MANG) clients and any other Illinois resident requesting child support enforcement services (Non-Assistance (NA) clients). The Division helps to establish paternity, locate non-custodial parents, establish child support through judicial or administrative processes, and enforce child support orders through income withholding orders, unemployment benefit intercepts, federal and state tax intercepts, real and personal property liens, denial of passports, and other lump sum intercepts. It also assists other states to establish parentage and establish and enforce child support on behalf of their residents. Together, the TANF, MANG and Non-Assistance cases receiving these services are known as Title IV-D cases. The Division also processes non IV-D cases through the State Disbursement Unit. These activities suggest some of the basic indicators of the Division's performance, many of which are driven by federal reporting requirements and standards.

**Program Goal**

The program goal is to enforce child support payment obligations of non-custodial parents for Illinois' most vulnerable children.

<b>Performance Measures</b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>
Total child support collections (in thousands, includes all Title IV-D, TANF & non-TANF)	\$1,012,104	\$1,145,015
Number of IV-D cases with new support orders established	49,511	61,876
Amount of total child support arrearages collected (in thousands, includes all Title IV-D, TANF & non-TANF)	\$220,102	\$253,669

**Evaluation of Performance/Activity Measures**

Effectiveness is measured by monitoring the status of the measures shown above on an ongoing basis. Additionally, DCSE measures the percentage of children in IV-D cases born out-of-wedlock where parentage has been established and the percentage of IV-D cases where support orders are established.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2006  
(Unaudited)

**Energy Assistance Program**

**Description of the Program**

The Office of Energy Assistance administers the Low Income Home Energy Assistance (LIHEAP) and the Illinois Home Weatherization Assistance (IHWAP) programs.

Each year through the LIHEAP program, low-income households in Illinois receive one-time grants that allow them to reestablish and/or maintain their home energy service. The purpose of LIHEAP is to assist low-income households that pay a high proportion of household income for home energy with meeting their immediate home energy needs.

The IHWAP program helps low-income families lower their energy costs by providing a range of weatherization services, including insulating attics and walls and ensuring that heating systems are safe and in good working order.

**Program Goal**

The program goal is to reduce the energy burden of low-income Illinoisans in the Energy Assistance programs.

<b>Performance Measures</b>	<b><u>FY 2005</u></b>	<b><u>FY2006</u></b>
Percent of vulnerable households receiving LIHEAP assistance	48.98%	66.29%
Number of households receiving home weatherization services	7,083	7,128

**Evaluation of Performance/Activity Measures**

Effectiveness is measured by monitoring the status of the measures shown above on an ongoing basis. Additionally, the Office of Energy Assistance measures numerous other activities such as the number of applications taken, emergency reconnections for heating and cooling assistance and the average benefit per household for furnace and cooling assistance.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2006  
(Unaudited)

**Medical Programs**

**Description of the Program**

The Division of Medical Programs provides managed care services, long term care services, and comprehensive health services to Illinois' neediest residents. The Department of Healthcare and Family Services (Department) is also the primary State administrator of federal Medicaid health care policies under the Social Security Act. Through a central unit based in Springfield, the Department also determines eligibility for KidCare and FamilyCare programs for children and parents, Medicaid, the State Children's Health Insurance Program, and Moms and Babies health plans for pregnant women, through mail-in and web-based applications. In-person applications are taken and processed by the Illinois Department of Human Services local offices throughout the State.

**Program Goal**

The program goal is to improve the health of Illinois' children and families by providing access to quality medical care.

<b>Performance Measures</b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>
Total Medical Program Expenditures (in thousands)	\$9,662,173	\$10,593,217
Number of actively enrolled physicians billing over 100 claims per year	17,492	17,882
Total number of children enrolled in Medical Programs	1,159,593	1,216,983

**Evaluation of Performance/Activity Measures**

**KidCare/FamilyCare**

Enrollment in the KidCare and FamilyCare health insurance programs continued to grow in fiscal year 2006. KidCare offers health care coverage to children and pregnant women who meet eligibility criteria and also helps to pay premiums of employer-sponsored or private health plans. The Department now covers over one million children through all of its health benefits programs. Legislation was passed in November 2005 for the All Kids program. All Kids provides comprehensive, affordable health care coverage for all uninsured children in Illinois, regardless of income. Pre-registration for the program began in December 2005 and enrollment began on July 1, 2006.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2006  
(Unaudited)

**Medical Programs (continued)**

In addition, the Department again expanded coverage to parents of KidCare children in 2006 through a federal waiver program called FamilyCare. Parents with incomes up to 185 percent of the federal poverty level are now eligible for health care coverage through FamilyCare. As of June 30, 2006, 498,195 parents were covered through the Department's medical assistance programs. Of those, 117,896 have gained coverage through the FamilyCare program.

**Illinois Cares RX Program and Persons with Disabilities Program**

About two-thirds of the medical assistance program budget is expended for health care to seniors and persons with disabilities. The total number of persons with disabilities on Medicaid was 294,221 in fiscal year 2006. Long term care caseloads have remained relatively stable over the last few years. The average monthly resident count age 65 and over in fiscal year 2006 was approximately 44,550 individuals.

In June 2005, the "No Senior or Person with Disability Left Behind" law was passed, which created the Illinois Cares Rx program, the nation's most comprehensive response to fill in the gaps created by the federal Medicare Part D prescription drug program. The Illinois Cares Rx program took effect January 1, 2006, in conjunction with the start of the new Medicare prescription coverage.

Illinois Cares Rx covers those who were previously enrolled in either the SeniorCare drug program or the Circuit Breaker pharmaceutical assistance program. In addition, those who are not eligible for Medicare will have their current SeniorCare or Circuit Breaker pharmaceutical benefits maintained in the Illinois Cares Rx program. The Illinois Cares Rx program is administered by the Department and the Illinois Department on Aging.

**Accountability**

Although providing access to quality health care is the overriding mission of the Department, the goal is to be accountable to the citizens of Illinois and to perform this function in the most cost effective and efficient manner. Two performance indicators have been selected to measure this effectiveness: Savings from prepayment review of over 4.9 million medical services and cost avoidance by preventing unnecessary expenditures. Savings from prepayment review of claims for fiscal year 2006 was over \$52 million. Cost avoidance is a strategy recognized by the Centers for Medicare and Medicaid Services and is devised to make Medicaid the payer of last resort. Cost avoided dollars are Medicaid savings, realized through the discovery of a private payer responsible for medical bills of medical assistance participants. The Department saved the taxpayers of Illinois over \$122 million in fiscal year 2004, over \$110 million in fiscal year 2005, and over \$128 million in fiscal year 2006.

STATE OF ILLINOIS  
DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Year Ended June 30, 2006  
(Unaudited)

**Inspector General**

**Description of the Program**

The Inspector General is appointed by the Governor, reports to the Executive Inspector General, and is confirmed by the Senate. The mission of the Office of Inspector General (OIG) is to prevent, detect and eliminate fraud, waste, abuse, misconduct, and mismanagement in the programs administered by the Department. The OIG conducts investigations for the Department's programs administered by the Department of Human Services.

**Program Goal**

The OIG is committed to combating fraud and abuse through its efforts of implementing innovative Medicaid fraud prevention and detection techniques, preventing ineligible applicants from receiving benefits, conducting client eligibility investigations, performing client Medicaid fraud investigations, restricting clients who abuse their benefits to one physician and/or pharmacy, conducting post-payment audits and quality of care reviews of Medicaid providers, and identifying assets hidden by long term care applicants.

<b>Performance Measures</b>	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>
Provider post-payment audits performed	629	635
Number of fraud prevention investigations completed	3,950	1,793 <sup>a</sup>

**Evaluation of Performance/Activity Measures**

The OIG conducted 635 post-payment audits during fiscal year 2006, which is 35 more audits than the targeted goal of 600 audits. The audits were conducted to help ensure that Medicaid dollars were spent appropriately. These audits allowed the OIG to recover \$23.1 million in overpayments during fiscal year 2006. The OIG conducted 1,793 fraud prevention investigations during fiscal year 2006, to prevent ineligible applicants from receiving welfare benefits.

<sup>a</sup> The Fraud Prevention Investigations (FPI) program was stopped at the end of October 2005. The FPI contract was re-bid, and a new FPI contractor started in April 2006. Therefore, the FY06 actual total is less than FY05 because the program was only operational for seven months.