



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

COVERING ALL KIDS HEALTH INSURANCE PROGRAM

PROGRAM AUDIT

For the Year Ended: June 30, 2011

Release Date: October 2012

SYNOPSIS

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act [215 ILCS 170/63] and directed the Auditor General to annually audit the ALL KIDS program. This is the third annual audit and covers FY11. The focus of this audit is on "EXPANDED ALL KIDS," which is the portion of the ALL KIDS program that serves uninsured children not previously covered by KidCare (e.g., those children whose family income was greater than 200 percent of the federal poverty level or who were undocumented immigrants).

This FY11 audit of the EXPANDED ALL KIDS program follows up on the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings. Our audit found:

- In FY11, 97,030 children were enrolled in the EXPANDED ALL KIDS program.
- Total claims paid in FY11 for the EXPANDED ALL KIDS enrollees were \$96.6 million.
- HFS received approximately \$10.8 million in premiums from enrollees, thus making the net cost of the ALL KIDS expansion approximately \$85.7 million. The children added as a part of the expansion are not eligible for federal reimbursement and thus are funded entirely by the State.
- FY11 ALL KIDS claim data included 414 individuals who received 2,543 services totaling \$126,092 after the month of their 19th birthday after their eligibility ended. Additionally, the data also included 315 individuals who appeared to be enrolled with more than one identification number.
- Our FY11 review indicated a continued problem with HFS incorrectly categorizing documented immigrants as undocumented in its data. As a result, HFS did not submit and receive federal matching funds for these misclassified documented immigrants.
- While HFS and DHS took action to address the 14 recommendations, many of these actions did not occur within this audit period (FY11). We determined that 3 recommendations were implemented, 1 was partially implemented, and 10 were repeated. For six of the recommendations that were repeated, the action taken by HFS or DHS did not occur until after the FY11 audit period.

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

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**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

BACKGROUND

The expansion added children whose family income was greater than 200 percent of the federal poverty level and all undocumented immigrant children.

Effective July 1, 2006, Illinois' KidCare program, which included Medicaid and Children's Health Insurance Program (CHIP) populations, **was expanded** by the Covering ALL KIDS Health Insurance Act (Act) to include all uninsured children not previously covered. The expansion added children whose family income was greater than 200 percent of the federal poverty level and all undocumented immigrant children. At that time, the KidCare program was renamed ALL KIDS. Since the EXPANDED ALL KIDS program is a subset of a much larger ALL KIDS program, **many of the recommendations in this report may be relevant to the program as a whole.**

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

Throughout this audit, we will refer to the portion of the ALL KIDS program that serves the uninsured children not previously covered by KidCare as "EXPANDED ALL KIDS." The children that were added as a part of the expansion are not eligible for federal reimbursement and thus are funded entirely by the State. (page 4)

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act [215 ILCS 170/63] directing the Auditor General to annually audit the EXPANDED ALL KIDS program beginning June 30, 2008, and each June 30th thereafter. The Public Act was effective June 1, 2009. The first audit (FY09) was released in May 2010 and contained 13 recommendations. The second audit (FY10) was released in April 2011 and contained 14 recommendations. There were five new recommendations and three new areas added to previous recommendations. This is the third annual audit (FY11) and covers FY11 beginning on July 1, 2010.

This FY11 audit of the EXPANDED ALL KIDS program follows up on the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings. We did not undertake testing of eligibility files in this audit given that several of the eligibility requirements changed in FY12 as a result of Public Act 96-1501. Furthermore, many of the previous audit recommendations that were addressed by HFS and DHS were not addressed until FY12, after our audit period. We will review these changes in future audits. (pages 2-3)

Matter for Consideration by the Illinois General Assembly

HFS and DHS accepted all recommendations from our past ALL KIDS audit and have been working to implement them.

The Covering ALL KIDS Health Insurance Act requires the Auditor General to conduct an annual audit of the EXPANDED ALL KIDS program. However, with an annual audit, HFS and DHS have had limited time to implement the recommendations before the next audit period began. The FY10 audit was released in April 2011. HFS and DHS were unable to address many of the recommendations prior to June 30, 2011. Consequently, these findings are repeated in this FY11 audit, which covers the period July 1, 2010, to June 30, 2011.

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

Due to the limited time for HFS and DHS to implement prior audit recommendations before the next audit begins, the General Assembly may wish to consider reducing the frequency of the EXPANDED ALL KIDS audit period from annually to at least once every three years or on a more frequent basis if determined necessary by the Auditor General. (pages 3-4)

ALL KIDS Program

In FY11, Illinois' ALL KIDS program as a whole had almost 1.9 million enrollees and HFS paid \$3.2 billion in claims. In FY11, enrollees that were eligible at any point in the year as a result of the July 1, 2006 ALL KIDS expansion (EXPANDED ALL KIDS) totaled 97,030. As seen in Digest Exhibit 1, on June 30, 2011, there were 74,975 enrollees as a result of the expansion of which 51,669 (69%) were classified as undocumented immigrants in the HFS data. (page 6)

Payments for ALL KIDS Services

According to claim data provided by HFS, in FY09, payments for services that were added as a result of the July 1, 2006 expansion totaled \$79,068,335. Payments for services increased to \$84,199,508 in FY10 and to \$96,556,069 in FY11. The majority of the payments for services were for undocumented immigrants. Payments for children categorized by HFS as undocumented totaled \$54.9 million in FY09, \$59.2 million in FY10, and \$58.8 million in FY11. Therefore, in FY10 and FY11, undocumented immigrants make up approximately 65 percent of the total payments for the EXPANDED ALL KIDS program over the last two fiscal years. Digest Exhibit 2 breaks out the payments for services by whether the child had documentation for citizenship/immigration status or whether the child was undocumented for both FY10 and FY11. However, due to HFS incorrectly categorizing some documented immigrants as undocumented immigrants, the payments for undocumented immigrants are overstated, while the payments for documented immigrants are understated. (pages 7-8)

Digest Exhibit 1
EXPANDED ALL KIDS ENROLLMENT BY PLAN ^{3, 4}
As of June 30

EXPANDED ALL KIDS Plan	Citizens/ Documented Immigrants		Undocumented Immigrants	
	FY10	FY11	FY10	FY11
Assist <134% FPL/\$29,725.50 ²	n/a	n/a	49,920	48,481
Share 134%-150% FPL/\$33,525 ²	n/a	n/a	1,644	1,472
Premium Level 1 151%-200% FPL/\$44,700 ²	n/a	n/a	1,538	1,253
Premium Level 2 201%-300% FPL/\$67,050 ²	16,400	18,318	418	382
Premium Level 3 ¹ 301%-400% FPL/\$89,400 ²	2,997	4,028	62	59
Premium Level 4 ¹ 401%-500% FPL/\$111,750 ²	520	765	20	14
Premium Level 5 ¹ 501%-600% FPL/\$134,100 ²	105	134	2	6
Premium Level 6 ¹ 601%-700% FPL/\$156,450 ²	26	35	3	2
Premium Level 7 ¹ 701%-800% FPL/\$178,800 ²	9	13	0	0
Premium Level 8 ¹ >800% FPL/No limit ²	17	13	0	0
Total	20,074	23,306	53,607	51,669

Notes:

¹ Plan was eliminated as of July 1, 2011, per PA 96-1501.

² Denotes the applicable federal poverty level income guidelines for the plan level and the maximum income for a family of four for that plan during FY11.

³ Enrollment is the total number of enrollees that were eligible on June 30 of 2010 and 2011. There were 94,628 enrollees eligible at some point during FY10 and 97,030 enrollees eligible at some point during FY11.

⁴ Due to HFS incorrectly categorizing some documented immigrants as undocumented immigrants, the enrollment for undocumented immigrants is overstated, while the enrollment for documented immigrants is understated.

Source: ALL KIDS enrollment data provided by HFS.

Digest Exhibit 2
PAYMENTS FOR EXPANDED ALL KIDS SERVICES BY ALL KIDS PLAN ^{1, 3}
 Fiscal Years 2010 and 2011

EXPANDED ALL KIDS Plan	Citizens/Documented Immigrants		Undocumented Immigrants		Totals	
	FY10	FY11	FY10	FY11	FY10	FY11
Assist <134% FPL/\$29,725.50 ²	n/a	n/a	\$55,613,496	\$55,291,285	\$55,613,496	\$55,291,285
Share 134%-150% FPL/\$33,525 ²	n/a	n/a	\$1,632,762	\$1,514,515	\$1,632,762	\$1,514,515
Premium Level 1 151%-200% FPL/\$44,700 ²	n/a	n/a	\$1,383,299	\$1,465,795	\$1,383,299	\$1,465,795
Premium Level 2 201%-300% FPL/\$67,050 ²	\$19,052,723	\$26,632,165	\$384,275	\$328,189	\$19,436,998	\$26,960,354
Premium Level 3 301%-400% FPL/\$89,400 ²	\$4,204,290	\$6,343,863	\$41,496	\$110,717	\$4,245,785	\$6,454,580
Premium Level 4 401%-500% FPL/\$111,750 ²	\$1,098,537	\$2,722,244	\$13,039	\$12,001	\$1,111,576	\$2,734,246
Premium Level 5 501%-600% FPL/\$134,100 ²	\$384,142	\$1,088,856	\$108,452	\$41,848	\$492,595	\$1,130,704
Premium Level 6 601%-700% FPL/\$156,450 ²	\$108,145	\$776,095	\$1,746	\$1,439	\$109,892	\$777,535
Premium Level 7 701%-800% FPL/\$178,800 ²	\$26,467	\$63,510	\$0	\$0	\$26,467	\$63,510
Premium Level 8 >800% FPL/No limit ²	\$146,631	\$163,543	\$8	\$2	\$146,639	\$163,545
Totals	\$25,020,934	\$37,790,277	\$59,178,574	\$58,765,792	\$84,199,508	\$96,556,069

Notes:

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

² Denotes the applicable federal poverty level income guidelines for the plan level and the maximum income for a family of four for that plan during FY11.

³ Totals may not add due to rounding.

Source: ALL KIDS claim data provided by HFS.

In FY10, HFS received approximately \$9.8 million in premiums from enrollees, thus making the net cost of the ALL KIDS expansion approximately \$74.4 million, an increase of approximately \$4.3 million from FY09. In FY11, HFS received \$10.8 million in premiums, making the net cost of the ALL KIDS expansion \$85.7 million, an increase of \$11.3 million from FY10. Digest Exhibit 3 shows the premiums paid for FY10 and FY11. (page 10)

Digest Exhibit 3
EXPANDED ALL KIDS PAYMENTS VS. PREMIUMS ¹
 Fiscal Years 2010 and 2011

EXPANDED ALL KIDS Plan	FY10 Payments	FY11 Payments	FY10 Premiums Collected	FY11 Premiums Collected	FY10 Net Cost	FY11 Net Cost
Assist <134% FPL/\$29,725.50 ²	\$55,613,496	\$55,291,285	n/a	n/a	\$55,613,496	\$55,291,285
Share 134%-150% FPL/\$33,525 ²	\$1,632,762	\$1,514,515	n/a	\$835	\$1,632,762	\$1,513,680
Premium Level 1 151%-200% FPL/\$44,700 ²	\$1,383,299	\$1,465,795	\$218,488	\$206,970	\$1,164,810	\$1,258,825
Premium Level 2 201%-300% FPL/\$67,050 ²	\$19,436,998	\$26,960,354	\$6,610,052	\$7,402,166	\$12,826,946	\$19,558,188
Premium Level 3 301%-400% FPL/\$89,400 ²	\$4,245,785	\$6,454,580	\$2,151,192	\$2,175,092	\$2,094,593	\$4,279,488
Premium Level 4 401%-500% FPL/\$111,750 ²	\$1,111,576	\$2,734,246	\$534,494	\$674,995	\$577,082	\$2,059,251
Premium Level 5 501%-600% FPL/\$134,100 ²	\$492,595	\$1,130,704	\$130,510	\$245,505	\$362,085	\$885,200
Premium Level 6 601%-700% FPL/\$156,450 ²	\$109,892	\$777,535	\$58,905	\$52,715	\$50,987	\$724,820
Premium Level 7 701%-800% FPL/\$178,800 ²	\$26,467	\$63,510	\$13,530	\$16,210	\$12,937	\$47,300
Premium Level 8 >800% FPL/No limit ²	\$146,639	\$163,545	\$35,820	\$30,755	\$110,819	\$132,790
Totals	\$84,199,508	\$96,556,069	\$9,752,991	\$10,805,242	\$74,446,517	\$85,750,827

Notes:

¹ Totals may not add due to rounding.

² Denotes the applicable federal poverty level income guidelines for the plan level and the maximum income for a family of four for that plan during FY11.

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

Follow up on FY10 Recommendations

While HFS and DHS took some action to address the 14 recommendations, many of these actions did not occur within this audit period (FY11).

While HFS and DHS took some action to address the 14 recommendations, many of these actions did not occur within this audit period (FY11). We determined that 3 recommendations were implemented, 1 was partially implemented, and 10 were repeated. For six of the recommendations that were repeated, HFS or DHS took some action to address the recommendation; however, the action did not occur until after the FY11 audit period. (page 2)

Covering ALL KIDS Health Insurance Act Requirements

The Covering ALL KIDS Health Insurance Act [215 ILCS 170/20(a)(3)], which became effective on July 1, 2006, required HFS in collaboration with the Department of Financial and Professional Regulation, Division of Insurance (now the Department of Insurance) to adopt rules governing the exchange of information under this section. Our FY10 audit recommended HFS comply with the rulemaking requirement found in the Covering ALL KIDS Health

Insurance Act [215 ILCS 170]. HFS accepted this recommendation and provided the following updated response in May 2012: *“Implemented –Rule adoption was published January 27, 2012 with an effective date of January 14, 2012. See 36 Illinois Register 1062.”*

We reviewed the new rule and verified that it was established and met the requirements in the Covering ALL KIDS Health Insurance Act. The status of this recommendation is **implemented**. (page 12)

ALL KIDS Policies and Procedures

During the FY09 audit, auditors determined that policies and procedures utilized by HFS and DHS for the administration of the EXPANDED ALL KIDS program were confusing and difficult to follow. We found policies with conflicting information and directions and others that were duplicative. We also found that the policies contained outdated case examples, which in these instances make the examples incorrect.

The recommendation to organize policies into one section and ensure that policies are consistent with applicable laws and rules and are up to date was repeated in our FY10 audit.

During this FY11 audit, HFS demonstrated changes that had been made to the on-line policies and procedures. The changes included incorporating the policy memos into the manual and adding more links for subgroups under the main categories of the policy manual for the ALL KIDS section. We reviewed the changes to the policy manual and determined that HFS addressed this recommendation. Therefore, the status of this recommendation is **implemented**. (page 13)

Payment of Non-Emergency Transportation

As part of the FY09 audit, we reviewed FY09 claims paid, and determined that HFS paid for services that were excluded by Illinois Administrative Code [89 Ill. Adm. Code 123.310]. Auditors found 1,159 payments totaling \$27,393 for non-emergency transportation services in FY09. In FY10, we found 575 payments totaling \$22,474. HFS indicated it reviewed the exceptions and “discovered an error in the programming that caused some claims to pay improperly,” and noted that a programming change was implemented.

We reviewed FY11 EXPANDED ALL KIDS claim data and determined that no payments were made for non-emergency transportation for enrollees in Premium levels 2 through 8 after June 15, 2010. Therefore, the status of this recommendation is **implemented**. (pages 19-20)

Redetermination of Eligibility

In the FY09 audit, auditors concluded that the annual reviews of ALL KIDS eligibility – also called redeterminations – required by the Illinois Administrative Code [89 Ill. Adm. Code 123.260] were not being adequately implemented by HFS. For ALL KIDS enrollees that fall in the Assist, Share, and Premium level 1 categories (e.g., at or below 200 percent of the federal poverty level), an annual “passive” redetermination was used by HFS. Prior to the end of the eligibility period, HFS sent each family an annual renewal notice. The renewal notice listed the eligibility information for the family and instructed the family to return the form **only if** any of the information had changed. If there were no changes, the family was instructed to do nothing. In contrast, to continue coverage, enrollees in Premium levels 2 through 8 were required to send in the annual redetermination form, which included updated eligibility information.

This recommendation to adequately implement eligibility redeterminations was repeated in our FY10 audit. HFS and DHS accepted this recommendation. HFS provided the following updated response in May 2012: *“In Progress –HFS is pursuing federal approval of a process for active electronic verification to replace passive redeterminations of eligibility at renewal. As part of the FY13 budget negotiation process, HFS is also seeking the staffing and contractual resources that will be required to implement this process. HFS is pursuing federal approval to allow the state to require additional information from families whose children’s eligibility cannot be redetermined through electronic means.”* We reviewed a letter from HFS to the federal Department of Human Services, which discussed Illinois’ steps to create a new eligibility system to improve the accuracy of eligibility determinations and redeterminations.

The status of this recommendation is **repeated** and will be followed up on during the next audit cycle. (pages 13-14)

Income of Stepparent

During the review of HFS and DHS policies during the FY09 audit, auditors determined that DHS did not calculate family income for EXPANDED ALL KIDS eligibility as required by the Administrative Code. The Administrative Code [89 Ill. Adm. Code 123.110] defines family as the child applying for the program and individuals who live with the child, which includes “the spouse of the child’s parent” (e.g., the child’s stepparent). When determining family income when a stepparent is present, we found that HFS counted the income of the stepparent while DHS did not. The FY10 audit repeated the recommendation.

HFS and DHS provided the July 29, 2011, Manual Release to incorporate the new policy on counting stepparent income when determining eligibility for undocumented children covered under the EXPANDED ALL KIDS program into the Policy Manual.

During this FY11 audit, HFS and DHS provided the July 29, 2011, Manual Release to incorporate the new policy on counting stepparent income when determining eligibility for undocumented children covered under the EXPANDED ALL KIDS program into the Policy Manual. We reviewed this policy and determined that HFS and DHS did incorporate the necessary changes. However, since the policy changes did not occur during the FY11 audit period and would not be reflected in the FY11 claim and eligibility data, we could not determine whether the stepparent income was actually included as part of the income calculation for all EXPANDED ALL KIDS recipients at this time. Therefore, the status of this recommendation is **repeated**. (page 15)

Non-Payment of Premiums

During the FY09 and FY10 audits, auditors found that HFS did not terminate ALL KIDS coverage when the enrollee failed to pay premiums timely as required by 89 Ill. Adm. Code 123.340(a). The Administrative Code [89 Ill. Adm. Code 123.210(c)(2)] requires full payment of premiums due, for periods in which a premium was owed and not paid, before the child can be re-enrolled. Additionally, the Administrative Code [89 Ill. Adm. Code 123.210(c)(4)] requires the first month's premium be paid if there was an unpaid premium on the date the child's previous coverage was cancelled.

In FY10, we recommended that HFS comply with Administrative Code requirements. HFS accepted the recommendation and provided the following updated response in May 2012: *"A reminder was sent in June 2011 to HFS and DHS staff regarding the proper coding needed to prevent re-enrollment of children with outstanding premium debt. HFS is also in discussion with DHS regarding system enhancements that could be made to AIS so the coding would be automatically applied to these cases."*

We reviewed this reminder sent to HFS and DHS staff. The notice was not sent until the last day of the audit period, June 30, 2011. Consequently, corrective action taken by HFS and DHS staff did not occur until FY12. Therefore, this recommendation is **repeated** and will be followed up on during the next audit cycle. (page 16)

ALL KIDS Data Reliability

Auditors identified five specific issues associated with both the FY09 and FY10 data provided by HFS. These five areas were: 1) eligibility data included individuals that were older than 18 years of age; 2) eligibility data included duplicate enrollees with two different recipient identification numbers, and/or different birth dates or addresses; 3) eligibility data included end dates that were not accurate; 4) irregularities

between claims and eligibility data; and 5) some documented immigrants were categorized as undocumented immigrants.

We determined that eligibility data still contained individuals who were older than 18 years of age. More specifically, we indentified 414 individuals who received 2,543 services after the month of their 19th birthday. These services totaled \$126,092.

In FY10, HFS accepted the recommendation and provided the following updated response in May 2012: *“Implemented –A system error that allowed coverage for the first day of the month following the child’s 19th birthday has been identified and corrected as of September 2011.”* This system change was implemented after the FY11 audit period. Therefore, when we reviewed the FY11 EXPANDED ALL KIDS claim data, we determined that eligibility data still contained individuals who were older than 18 years of age. More specifically, we indentified 414 individuals who received 2,543 services after the month of their 19th birthday. These services totaled \$126,092. As a result, the status of this part of the recommendation is **repeated** and will be followed up on during the next audit cycle.

We identified 315 individuals who appeared to be enrolled with more than one identification number.

During our review of the FY11 EXPANDED ALL KIDS eligibility data, we also found that the eligibility data contained individuals who were enrolled in ALL KIDS more than once. In the FY11 data, we identified 315 individuals who appeared to be enrolled with more than one identification number. Therefore, the status of this part of the recommendation is also **repeated** and will be followed up on during the next audit cycle. (pages 17-18)

Classification of Documented Immigrants

During the FY09 audit, auditors determined that HFS did not accurately classify documented immigrants who receive ALL KIDS services. According to HFS officials, to ensure that federal matching funds were not requested for documented immigrants who were ineligible for matching funds (e.g., those documented immigrants who had not been in the country for five years), those documented immigrants were classified as undocumented immigrants.

According to HFS, this recommendation was implemented prospectively. The system error was corrected to prevent incorrect coding from occurring on new approvals beginning October 29, 2010. The children that were previously coded incorrectly will require a manual review to determine the correct coding. The new active electronic review process that is being implemented to replace the existing annual passive renewal will provide the opportunity to code these children correctly. A vendor will be assisting the state in verifying a number of eligibility factors, one of which will be immigration status. The code will be updated when the redetermination is recorded in the system. HFS noted it was still working with the federal government to approve the State Plan and was preparing draft rules to permit qualified aliens to qualify for federal matching funds regardless of how long they have been in the country.

Our review of the FY11 data indicated a continued problem. We identified 11,130 ALL KIDS recipients who were coded as “undocumented” that had social security numbers in the database.

Our review of the FY11 data indicated a continued problem. We identified 11,130 ALL KIDS recipients who were coded as “undocumented” that had social security numbers in the database. As a result, the status of this recommendation is **repeated** and will be followed up on during the next audit cycle. Additionally, as a result of the incorrect classification, HFS did not submit and receive federal matching funds for eligible enrollees. (pages 18-19)

Duplicate Claims

During the FY10 audit, as part of our review of EXPANDED ALL KIDS payments, auditors analyzed FY10 claim data and identified potential duplicate payments. A sample of 20 pairs of potential duplicate claims was chosen. HFS reviewed each of the 20 potential duplicate pairs of claims and determined that 7 were duplicates.

We recommended HFS review the manual review process for rejected claims and strengthen the controls to prevent duplicate claims from being paid in FY10. HFS accepted this recommendation and provided the following updated response in May 2012: *“In Progress - The Department has developed a query to monitor for duplicate claims. The Bureau of Claims Processing is working with the query but it is not ready to be implemented because there are still some modifications needed. HFS has been unable to complete this plan due to four vacancies.”*

Since implementation of corrective action is still in progress, the status of this recommendation is **repeated**. (page 20)

Eligibility Documentation

Due to the way HFS implemented the Covering ALL KIDS Health Insurance Act, HFS and DHS did not obtain documentation to support eligibility in some instances. This included documentation for residency, birth, and income. As a result, during the FY09 and FY10 audits, auditors could not determine whether eligibility was determined correctly by HFS and DHS. Therefore, we recommended that HFS and DHS ensure that all necessary eligibility documentation to support birth, identity, and residency is received in order to ensure that eligibility is determined accurately.

In addition, we recommended HFS and DHS develop a system to verify eligibility criteria such as family size and family income to ensure that complete and accurate information was provided by the applicant. We also recommended that HFS and DHS implement better controls to verify whether individuals are self-employed and to ensure that adequate information is provided and eligibility is determined correctly. As a result of the passage of Public Act 96-1501 on January

25, 2011, two changes were made related to eligibility documentation requirements. These changes required one month's worth of income verification for determining eligibility and requiring verification of Illinois residency. These changes were effective on July 1, 2011. Additionally, the passage of Public Act 97-0689 (effective June 14, 2012) allows HFS to enter into a contract with a vendor to electronically verify eligibility criteria. These changes were not effective until after the FY11 audit period.

HFS officials responded that their agency was planning to implement the new federal option under CHIPRA (Children's Health Insurance Program Reauthorization Act) and use social security records to verify citizenship and identity. HFS and DHS accepted the recommendation and HFS provided the following updated response in May 2012: *"SVES [State Verification Exchange System] data matching went into production on November 30, 2011. At application and renewal, anyone who claims to be a citizen and whose status has not been previously verified will have their information checked through SVES. Anyone claiming to be a citizen who cannot be verified through SVES must provide documentation of citizenship. A fully automated version of the SVES process is in development to eliminate certain manual entries by caseworkers required currently."* Although we reviewed the manual releases provided by HFS regarding SVES data matching, the manuals were not established until after the FY11 audit period. As a result, audit testing FY11 files would not determine whether HFS and DHS were verifying citizenship through data matching.

The status of this recommendation is **repeated**. Since the three parts of the recommendation could not be verified at this time, this recommendation will be followed up on during the next audit cycle. (page 21)

Transportation Claims

During the review of FY10 EXPANDED ALL KIDS claim data, auditors determined that HFS did not have effective controls over transportation claims. As a result, transportation providers were able to bill multiple trips in a single day for the same recipient. Additionally, controls in the billing system did not contain edits for pickup or drop off times or locations.

We recommended that HFS ensure controls over transportation are in place to prevent duplicate payments and to ensure providers submit accurate claim details. HFS accepted this recommendation and provided the following updated response in May 2012: *"In Progress - The system change to restrict one trip per day as authorized by the prior approval has not been implemented because testing revealed some issues. Further, testing is being conducted to ensure all transportation provider types are handled properly and*

changes to restrict origin and destination times are also working.”

Since implementation of corrective action is still in progress, the status of this recommendation is **repeated**. (pages 22-23)

Optical Edits

During the review of FY10 EXPANDED ALL KIDS claim data, auditors determined that HFS did not have effective controls over optical claims. HFS allowed children to receive as many eyeglasses as needed through the Department of Corrections – Illinois Correctional Industries (ICI) without prior approval. As a result, optical providers were able to bill for multiple frames and fittings for the same recipient during the year. Specifically, auditors identified one provider that billed multiple frames for 41 recipients. These 41 recipients had 180 frames ordered through ICI and had 186 fittings during FY10.

When auditors reviewed this matter with the HFS Office of the Inspector General (OIG) during the FY10 audit, the OIG noted it was aware of this provider’s billing patterns and noted it was in the early stages of auditing the provider. When OAG auditors requested an update on the audit (investigation) as part of this audit, the OIG noted it could not find a case on this provider. The current Inspector General noted that former staff failed to act on the referral. Subsequent to this follow up, the OIG has generated the profiles and routines necessary to initiate a probe audit of this provider related to the multiple eyeglass issue. The OIG is currently in the process of finalizing the protocols for this probe audit and will initiate as resources allow.

Subsequent to this follow up, the OIG has generated the profiles and routines necessary to initiate a probe audit of this provider related to the multiple eyeglass issue. The OIG is currently in the process of finalizing the protocols for this probe audit and will initiate as resources allow.

Since the process did not begin until after the audit period ended on June 30, 2011, this recommendation is **repeated**. (pages 23-24)

Guidance Over Preventive Medicine Service Claims

During the review of FY10 EXPANDED ALL KIDS claim data, auditors determined that HFS did not have effective controls over the billing of preventive medicine service claims. The claims are for preventive medicine services for healthy children who are established patients. According to an HFS official, preventive medicine services are used for annual doctor visits and are not to be used numerous times per year. These services generally bill at a higher rate than a problem focused visit. In the FY10 EXPANDED ALL KIDS claim data, we identified 1,013 recipients that received three or more preventative medicine services for healthy children.

HFS accepted this recommendation and provided the following updated response in May 2012: “A provider notice

was sent in May 2011 to remind providers of the proper use and frequency limits of preventative CPT codes. As of April 2011, the Bureau of Claims Processing has also initiated a manual review of applicable preventative CPT codes.”

We reviewed the notice that HFS sent to providers. However since corrective action was not taken until the FY11 audit period was almost completed, resulting changes were not reflected in the FY11 data. As a result, the status of this recommendation is **repeated**. (page 25)

Controls Over Dental Billings

During our review of FY10 ALL KIDS Expansion dental claims, we found deficiencies in controls related to dental billings. Auditors found instances in FY10 data where dental services were paid for in excess of the allowed benefit schedule. Auditors also found instances where the allowed benefit schedule differed from what officials said was allowed and from what was posted on HFS’ ALL KIDS Dental services webpage. Additionally, we identified billing outliers within the dental claims.

In the FY10 audit, we recommended that HFS identify and recoup unallowable past dental payments made to providers. HFS accepted this part of the recommendation and provided the following response in April 2011: *“The Department has reduced DentaQuest’s March 2011 administrative payment to recover the funds that were overpaid to dental providers in 2009 and 2010.”* We reviewed supporting documents provided by HFS in June 2012. These documents show that HFS did recoup \$19,737 in payments for unallowable services. Therefore, this part of the recommendation has been **implemented**.

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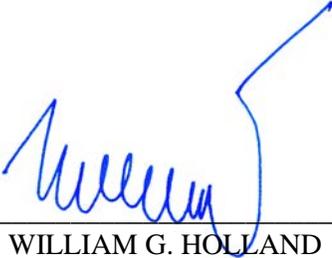
In the FY10 audit, we also recommended that HFS strengthen controls to ensure that dental providers are not paid for services beyond benefit limitation. In May of 2012, HFS provided an updated response which stated, *“A complete audit of the Windward system was completed in August 2011 to ensure all edits are working.”* Auditors reviewed a copy of the Windward System audit. The Windward System is the dental database used by DentaQuest. However, since the audit and any resulting changes were not completed until after the FY11 audit period, the status of this part of the recommendation is **repeated**.

Lastly, in the FY10 audit, we recommended that HFS ensure that dental policies or other information available to the public accurately states frequency of benefits. HFS provided the following updated response in May 2012: *“The Dental Policy Review manual was updated in August 2011.”* HFS also provided the updated Dental Office Reference Manual. However, the ALL KIDS Dental services webpage still states

that children are limited to a periodic oral exam once every 12 months per dentist, whereas the Dental Office Reference Manual schedule of Benefits still states that children can receive an oral exam once every 6 months in an office setting and once every 12 months in a school setting. As a result, the status of this part of the recommendation is **repeated** and will be followed up on during the next audit cycle. (page 26)

RECOMMENDATIONS

The audit report contains 11 recommendations. Eight recommendations were specifically for the Department of Healthcare and Family Services. Three recommendations were for both the Department of Healthcare and Family Services and the Department of Human Services. The Department of Healthcare and Family Services and the Department of Human Services agreed with all 11 recommendations. Appendix I to the audit report contains the agency responses.



WILLIAM G. HOLLAND
-Auditor General

WGH:SAW

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