



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

Frank J. Mautino, Auditor General

REPORT DIGEST

**PROGRAM  
AUDIT**

**For the Year Ended:  
June 30, 2015**

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**EXECUTIVE SUMMARY**

## **Covering ALL KIDS Health Insurance Program**

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 30<sup>th</sup> thereafter. This is the **seventh** annual audit (FY15), and follows up on the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings. The audit found:

1. In FY15, children enrolled in EXPANDED ALL KIDS increased by 25% to 102,182.
2. The total number of recipients increased from 52,075 on June 30, 2014 (FY14) to 66,258 on June 30, 2015 (FY15). The number of undocumented immigrant recipients decreased from 30,441 in FY14 to 26,183 in FY15.
3. The number of citizen/documented immigrant recipients (Premium Level 2) almost doubled from 21,634 in FY14 to 40,075 in FY15.
4. Of the 29,881 EXPANDED ALL KIDS recipients that required an annual redetermination of eligibility in FY15, we found 3,715 (12%) were not redetermined annually as required.
5. We tested 40 initial eligibility cases from FY15, and determined HFS and DHS were missing documentation needed to verify residency in 30 percent of cases, birth/age in 38 percent of cases, and one month's income in 38 percent of cases.
6. We tested 40 cases redetermined in FY15, and determined HFS and DHS were missing documentation needed to verify residency in 20 percent of cases and birth/age in 78 percent of cases. Of the 35 cases tested where recipients reported having some income, we found 30 days of income was reviewed in all cases; however, we did identify 2 of the 35 cases (6%) where caseworkers did not calculate the income correctly.
7. In FY15, 157 recipients received 1,276 services totaling \$104,704 after the month of their 19<sup>th</sup> birthday. Additionally, there were 477 individuals who were enrolled with more than one identification number.
8. We tested initial eligibility cases and cases redetermined during FY15. We found that 44 percent of the initial cases (17 of 39), and 23 percent of the redetermined cases (9 of 40), were coded as "undocumented" even though we found evidence supporting citizenship or documented immigrant status.
9. HFS and DHS did not identify the correct citizenship status for 5,999 recipients, and as a result, the State lost \$2.8 million in federal matching Medicaid funds in FY15. This issue has been reported since the first ALL KIDS audit, which was for FY09.
10. In 2011, HFS made the procedures for orthodontic services less stringent, which increased orthodontia services from \$322,892 in FY10 to \$3.6 million by FY14. We recommended that HFS review and monitor eligibility for orthodontic services more effectively.



## AUDIT SUMMARY AND RESULTS

Effective July 1, 2006, Illinois' KidCare program, which included Medicaid and State Children's Health Insurance Program (SCHIP) 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.**

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."

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.**

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 30<sup>th</sup> thereafter. The Public Act was effective June 1, 2009. This is the seventh annual audit (FY15).

This FY15 audit of the EXPANDED ALL KIDS program follows up on the Department of Healthcare and Family Services' and the Department of Human Services' actions to address prior audit findings. (pages 1-3)

### ALL KIDS PROGRAM

**The program included 102,182 EXPANDED ALL KIDS enrollees at any point during FY15, an increase of 25 percent from the previous year (FY14) when there were 81,440 enrollees.**

According to HFS, in FY15, Illinois' ALL KIDS program as a whole had a total of 1.8 million enrollees and HFS paid almost \$3.2 billion in claims. The program included 102,182 EXPANDED ALL KIDS enrollees at any point during FY15, an increase of 25 percent from the previous year (FY14) when there were 81,440 enrollees. On June 30, 2015, there were 66,258 enrollees as a result of the Covering ALL KIDS Health Insurance Act. Forty percent or 26,183 of the enrollees were classified as undocumented immigrants in the HFS data. Digest Exhibit 1 breaks out enrollment by fiscal year, by plan, and by whether the child was classified as a citizen/documentated immigrant or as undocumented.

Digest Exhibit 1 EXPANDED ALL KIDS ENROLLMENT BY PLAN <sup>2</sup> As of June 30				
EXPANDED ALL KIDS Plan	Citizens/ Documented Immigrants		Undocumented Immigrants	
	FY14	FY15	FY14	FY15
<b>Assist</b> \$35,652 <sup>1</sup>	Part of Medicaid and not part of EXPANDED ALL KIDS		28,460	23,757
<b>Share</b> \$38,076 <sup>1</sup>			702	466
<b>Premium Level 1</b> \$50,688 <sup>1</sup>			965	1,279
<b>Premium Level 2</b> \$77,112 <sup>1</sup>	21,634 <sup>3</sup>	40,075 <sup>3</sup>	314	681
<b>Totals <sup>4</sup></b>	<b>21,634</b>	<b>40,075</b>	<b>30,441</b>	<b>26,183</b>

Notes:  
<sup>1</sup> Denotes the Modified Adjusted Gross Income (MAGI) equivalent income standard for the plan level and the maximum income for a family of four for that plan during FY15.  
<sup>2</sup> Enrollment is the total number of enrollees that were eligible on June 30 of 2014 and 2015. There were 81,440 enrollees eligible at some point during FY14 and 102,182 enrollees eligible at some point during FY15.  
<sup>3</sup> HFS was notified on June 4, 2013, by the Centers for Medicare and Medicaid Services, that Illinois children up to 300% of the federal poverty level were approved to be covered by Title XXI of the Social Security Act (Medicaid). This has a retroactive effective date of July 1, 2008.  
<sup>4</sup> Total enrollees on June 30, 2014, was 52,075, which increased by 14,183, to 66,258 on June 30, 2015.  
 Source: ALL KIDS enrollment data provided by HFS.

**In FY15, the cost for services increased by more than \$16 million or 24 percent to almost \$86.5 million.**

According to claim data provided by HFS, the cost of services for EXPANDED ALL KIDS in FY09 totaled \$78.8 million. The cost for services increased to \$89 million in FY10, and to \$89.3 million in FY11. During the next three years, the total cost for services dropped to \$87.8 million in FY12, to \$75.2 million in FY13, and to \$70 million in FY14. Much of the decrease in the program in FY13 was due to the change in eligibility criteria, which eliminated Premium Level 3 through Level 8. In FY15, the cost for services increased by more than \$16 million or 24 percent to almost \$86.5 million.

**In FY14, undocumented immigrants accounted for 60 percent of the total costs for the EXPANDED ALL KIDS program; however, in FY15, undocumented immigrants accounted for 44 percent of the total cost for services.**

Digest Exhibit 2 breaks out the payments for services by whether the child had documentation for citizenship/immigration status or whether the child was classified by HFS as undocumented for both FY14 and FY15.

In the past, a large portion of the cost for services for the EXPANDED ALL KIDS Program was for undocumented immigrants. In FY14, undocumented immigrants accounted for 60 percent of the total costs for the EXPANDED ALL KIDS program; however, in FY15, undocumented immigrants accounted for 44 percent of the total cost for services.

The total cost for undocumented immigrants has decreased in each of the last three years. The cost for services for undocumented immigrants totaled: \$54.9 million in FY09; \$60.2 million in FY10; \$54.9 million in FY11; \$55.7 million in FY12; \$48.8 million in FY13; \$42.3 million in FY14; and \$38.3 million in FY15.

Digest Exhibit 2 EXPANDED ALL KIDS COST OF SERVICES PROVIDED BY ALL KIDS PLAN Fiscal Years 2014 and 2015						
EXPANDED ALL KIDS Plan	Citizens/Documented Immigrants		Undocumented Immigrants		Totals	
	FY14	FY15	FY14	FY15	FY14	FY15
Assist \$35,652 <sup>1</sup>	Part of Medicaid and not part of EXPANDED ALL KIDS		\$39,546,799	\$35,590,141	\$39,546,799	\$35,590,141
Share \$38,076 <sup>1</sup>			\$971,681	\$607,404	\$971,681	\$607,404
Premium Level 1 \$50,688 <sup>1</sup>			\$1,285,740	\$1,422,136	\$1,285,740	\$1,422,136
Premium Level 2 \$77,112 <sup>1</sup>	\$27,766,776 <sup>3</sup>	\$48,197,260	\$473,790	\$666,187	\$28,240,566	\$48,863,447
<b>Totals<sup>2</sup></b>	<b>\$27,766,776</b>	<b>\$48,197,260</b>	<b>\$42,278,010</b>	<b>\$38,285,868</b>	<b>\$70,044,785</b>	<b>\$86,483,128</b>

Notes:  
<sup>1</sup> Denotes the Modified Adjusted Gross Income (MAGI) equivalent income standard for the plan level and the maximum income for a family of four for that plan during FY15.  
<sup>2</sup> Totals may not add due to rounding.  
<sup>3</sup> The federal matching rate was 65% in FY14; therefore, the State's share for services was \$9.7 million. The reimbursement rate in FY15 was 88.62%; therefore, the State's share was \$5.5 million for FY15 services.  
 Source: ALL KIDS data provided by HFS.

HFS received \$8.3 million in premiums from enrollees in FY14 and \$13.4 million in FY15. As a result, the net cost of EXPANDED ALL KIDS, after premium payments, was approximately \$61.7 million in FY14 and \$73.1 million in FY15. (pages 7-15)

**FOLLOW-UP ON FY14 RECOMMENDATIONS**

In FY14, there were five recommendations which included areas related to redeterminations, data reliability, classification of documented immigrants, eligibility documentation, and policies covering orthodontic treatment. All five issues from our previous FY14 audit released in February 2016 were repeated during the FY15 audit:

**1. Redetermination of Eligibility**

During our review of all eligibility redeterminations for EXPANDED ALL KIDS recipients made in FY15, we found that HFS and DHS did not complete redeterminations of eligibility **annually** for all recipients as required by the Covering ALL KIDS Health Insurance Act. According to the data provided by HFS, 29,881 EXPANDED ALL KIDS recipients required a redetermination of eligibility in FY15. Our analysis of the data showed that 3,715 of the 29,881 (12%) were not redetermined annually as required by the Act. (pages 16-18)

**3,715 of the 29,881 (12%) were not redetermined annually as required by the Act.**

**477 individuals appeared to be enrolled with more than one identification number.**

## **2. ALL KIDS Data Reliability**

During our review of the FY15 EXPANDED ALL KIDS eligibility data, we continued to find that eligibility data contained individuals who were enrolled in ALL KIDS more than once. In the FY15 data, we identified 477 individuals who appeared to be enrolled with more than one identification number. We also identified 157 recipients that received 1,276 services totaling \$104,704 after the month of their 19<sup>th</sup> birthday. (pages 18, 19)

## **3. Classification of Documented Immigrants**

During testing of eligibility determinations, we determined HFS and DHS did not identify the correct citizenship status for recipients, and as a result, the State is losing federal matching Medicaid funds. We found in past audits, and continue to find, EXPANDED ALL KIDS recipients coded as undocumented that should not be coded as undocumented. Many recipients had verified social security numbers, alien registration numbers, or a combination of both. According to DHS, “verified” means the social security number has been verified through an electronic match with the Social Security Administration. Recipients with verified social security numbers and/or alien registration numbers appear to be documented immigrants and would, therefore, be eligible for federal matching funds.

**As a result of the miscoding errors, the State is annually losing federal matching dollars. In FY15, the total federal reimbursement lost was \$2.8 million.**

We determined the FY15 eligibility data contained 5,999 “undocumented” recipients who had social security numbers that were verified, of which 614 also had an alien registration number. We reviewed the services provided to the 5,999 “undocumented” recipients in FY15 and determined they had 105,695 services for a total cost of almost \$5.3 million. This recommendation related to the miscoding of documented immigrant status has been an issue since the first ALL KIDS audit, which was for FY09. It continues to be an issue that has not been adequately addressed by either HFS or DHS. As a result of the miscoding errors, the State is annually losing federal matching dollars. In FY15, the total federal reimbursement lost was \$2.8 million.

### **Initial Eligibility Testing**

**17 of 39 new recipients sampled (44%) were coded as undocumented but were likely citizens or documented immigrants.**

During our testing of 40 new cases that were approved during May and June 2015, only one was not classified as undocumented. We found that 17 of the cases were coded as undocumented but likely should have been coded as citizens/documented immigrants, as there was documentation to support citizenship or documented immigrant status for each of the 17 classified as undocumented. Many of the cases had documentation verifying the recipient’s social security number and/or alien status. Therefore, a total of 17 of 39 recipients sampled (44%) who were coded as undocumented were likely citizens or documented immigrants. We provided these 17 to DHS, and DHS officials agreed they were likely documented.

## **Eligibility Testing for Redetermination**

**9 of the 40 (23%) recipients that were redetermined were coded as undocumented even though the enrollees had a verified social security number or other evidence supporting they were likely citizens or documented immigrants.**

During our review of 40 recipients that were redetermined during May or June 2015, we found 9 of the 40 (23%) were coded as undocumented even though the enrollees had a verified social security number or other evidence supporting they were likely citizens or documented immigrants. We provided these nine to DHS, and DHS officials agreed they were likely documented. (pages 19-21)

### **4. Eligibility Documentation**

HFS and DHS attempt to determine eligibility for undocumented immigrants using various data matching techniques to determine residency, income, and immigration/citizen status. During our review of the new and continued eligibility process for EXPANDED ALL KIDS, we determined the data matching component used by the Integrated Eligibility System (IES) or the Illinois Medicaid Redetermination Project cannot be utilized for the undocumented recipients in the EXPANDED ALL KIDS program. Electronic data matches and searches based on social security numbers are ineffective for the undocumented portion of this population because they do not have social security numbers. Therefore, in many instances, the auditors, along with DHS officials, searched through IES for scanned copies of documents to determine residency, income, birth/age, and immigration/citizenship status for all recipients, including undocumented recipients.

**Residency was not verified in 12 of the 40 (30%) of the initial eligibility cases tested, and birth/age information was not verified in 15 of the 40 (38%) cases tested.**

### **Initial Eligibility Testing**

We randomly selected 40 of the 409 new cases approved during May and June 2015 and found significant issues. Residency was not verified in 12 of the 40 (30%) cases tested, and birth/age information was not verified in 15 of the 40 (38%) cases tested. Of the 40 cases tested, only 13 reported having some income. We found 30 days of income was not reviewed in 38 percent (5 of 13) of the cases where income was reported.

### **Eligibility Redetermination Testing**

**Residency was not verified in 8 of the 40 (20%) of the redetermination cases tested, and birth/age information was not verified in 31 of the 40 (78%) cases tested.**

We tested 40 of the medical only redeterminations that occurred during May and June 2015 and found issues regarding Illinois residency, birth/age, and income documentation. Residency was not verified in 8 of the 40 (20%) cases tested, and birth/age information was not verified in 31 of the 40 (78%) cases tested. Of the 35 cases tested where recipients reported having some income, 30 days of income was reviewed in all cases. However, we did identify 2 of the 35 cases (6%) where caseworkers did not calculate the income correctly. (pages 21-26)

### **5. Policies Covering Orthodontic Treatment**

Expenditures by the State for orthodontic services for children in EXPANDED ALL KIDS increased dramatically from FY10 to FY14. In FY10, the EXPANDED ALL KIDS program paid for only \$322,892 in orthodontic services. By FY14, 4,020 EXPANDED ALL KIDS recipients

had orthodontic services totaling \$3.6 million. This increase corresponds to the time when the scoring tool used to determine medical necessity for orthodontic services was revised. A review conducted by the HFS Office of the Inspector General concluded that revisions and clarifications to policies establishing medical necessity should be made, as well as requiring additional documentation to support medical necessity.

HFS agreed with this recommendation and indicated it would review the issues raised and take appropriate action. Since our FY14 audit was released in February 2016, and the audit period for this audit ended earlier on June 30, 2015, this part of the recommendation is repeated and we will follow up during our next audit which covers FY16. (pages 26-30)

### **RECOMMENDATIONS**

The audit report contains five recommendations. Two recommendations were specifically for the Department of Healthcare and Family Services. Three recommendations were for both the Department of Healthcare and Family Services and the Department of Human Services. The Department of Human Services agreed with its three recommendations. The Department of Healthcare and Family Services agreed with all five of its recommendations. Appendix F to the audit report contains the agency responses.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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AUDITORS ASSIGNED: This performance audit was conducted by the staff of the Office of the Auditor General.